

STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

August 11, 2017  
9:00 A.M.

Minutes

**I. MEDICAL CARE COMMISSION MEETING – August 11, 2017**

MEMBERS PRESENT	MEMBERS ABSENT
John A. Fagg, M.D., Chairman Joseph D. Crocker, Vice-Chairman Robert S. Alphin, M.D. Vickie L. Beaver Charles H. Hauser Linwood B. Hollowell, III Eileen C. Kugler, RN, MSN, MPH, FNP Kenly P. Lewis, D.D.S. Albert F. Lockamy, Jr., RPh J. William Paugh Devdutta G. Sangvai, M.D. Patrick D. Sebastian Robert E. Schaaf, M.D. Henry A. Unger, M.D. Paul M. Wiles	
<p><b><u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u></b></p> Mark Payne, Director, DHSR, Secretary, MCC Emery Milliken, Deputy Director, DHSR Cheryl Ouimet, COO, DHSR Geary W. Knapp, JD, CPA, Audit Mgr. & Advisor, MCC Steven Lewis, Chief, Construction Section, DHSR Clarence Ervin, Asst. Chief, Acute & Home Care Licensure, DHSR Beverly Speroff, Assistant Chief, Nursing Home Licensure Bethany Burgon, Assistant Attorney General, NCDOJ Nadine Pfeiffer, Rules Review Manager, DHSR Kathy Larrison, Auditor, MCC Crystal Abbott, Auditor, MCC Diana Barbry, Administrative Assistant, DHSR Alice Creech, Executive Assistant, MCC	

**OTHER ATTENDANCE:** (see Exhibit E)

**II. CHAIRMAN’S COMMENTS:**

Dr. John Fagg called the meeting to order at 9:00 a.m. and thanked the Commission for their attendance.

He once again referenced the Commission’s approval of a bond proposal for an institution at its November 2016, noting approval was given by the Commission despite the institution’s lack of adherence to the compliance policy adopted at the November 2015 meeting. Dr. Fagg informed the Commission there were two bond proposals that will not be heard at this meeting because the facilities were not in compliance. He reminded the Commission that their Chairman and Vice-Chairman relay the Commission’s policy and recommend a project not be accepted due to being out of compliance; but, it is the full Commission’s decision to hear and accept or reject a facility project.

**III. APPROVAL OF MINUTES from the May 12, 2017 Medical Care Commission Quarterly Meeting is requested (see Exhibit A).**

**COMMISSION ACTION:** Motion to approve the Minutes was made by Mr. Joe Crocker, seconded by Dr. Robert Schaaf, and unanimously approved.

**IV. RESOLUTION OF APPRECIATION WAS PRESENTED TO THE FOLLOWING RETIRING MEMBER:**

- Dr. Carl K. Rust, II

**V. REPORT FROM MARK PAYNE, DIRECTOR OF HEALTH SERVICE REGULATION**

Mr. Payne introduced the new Healthcare Facilities Program Audit Manager and Advisor, Geary Knapp, who joined our staff on July 17<sup>th</sup>. He again thanked Kathy Larrison, Crystal Watson-Abbott, and Alice Creech for taking on additional responsibilities to support the work of the Commission and to the Chair and Vice-Chair for their guidance and support during this transition period.

In follow-up to the presentation on diversity and inclusion in facilities seeking Commission approval of bonds and the ensuing discussion at the Commission’s last meeting, Mr. Payne noted the relevant NC Health Care Facilities Finance Act provisions, GS § 131A-2 and GS § 131A-8, the latter of which states “[a]ll health care facilities shall be operated to serve and benefit the public and there shall be no discrimination against any person based on race, creed, color or national origin.” Mr. Payne also referenced a US 4<sup>th</sup> Circuit Court of Appeals case in 2001 that, in its review of GS §131A-8, noted that while there was no private enforcement mechanism, the Commission arguably has the authority to enforce this nondiscrimination rule. Mr. Payne stated that he was not referencing this case for that proposition but merely wanted to point out that it is reasonably clear that is part of the province of this Commission to question applicants about their anti-discrimination, inclusion, and diversity policies and activities.

Finally, Mr. Payne informed the Commission about a law enacted during this year’s legislative session that impacts this Commission, i.e., Senate Bill 42: “AN ACT DIRECTING THE MEDICAL CARE COMMISSION TO ADOPT THE RECOMMENDATIONS OF THE AMERICAN SOCIETY OF HEALTHCARE ENGINEERING’S FACILITY GUIDELINES INSTITUTE.” He stated that a number of the dates/deadlines in this law will be challenging for the Construction Section and will require this Commission to act rapidly in repealing certain rules and adopting others. Steve Lewis provided a very high level overview of the impact of this new legislation and highlighted a few of the implementation challenges for the Construction Section.

Other items to report on are listed below (see Exhibits B-B/3):

- 1. Quarterly Report on Bond Program (see Exhibit B).....Kathy C. Larrison
- 2. The Executive Committee held telephone conference call meetings on the following dates:

**May 19, 2017** – To consider for approval (1) Series Resolution authorizing the issuance of up to \$45,000,000 Hospital Revenue Bonds (Wayne Memorial Hospital, Series 2017A), (2) Series Resolution authorizing the issuance of \$32,245,000 Hospital Revenue Refunding Bonds (Wayne Memorial Hospital, Series 2017B), (3) Bond Sale Approval Policy for Wayne Memorial Hospital for Series 2017A and 2017B, (4) Resolution authorizing the issuance of \$19,080,000 First Mortgage Revenue Refunding Bonds (Aldersgate, Series 2017A), (5) Resolution authorizing the issuance of \$15,712,644.51 First Mortgage Revenue Bonds (Aldersgate, Series 2017B), (6) Bond Sale Approval Policy for Aldersgate for Series 2017A and 2017B, and (7) Resolution that grants preliminary approval to a refunding transaction for FirstHealth of the Carolinas with the Bond Sale Approval Policy attached. (see Exhibit B/1).

**COMMISSION ACTION:** Motion was made to approve the Executive Committee actions from May 19, 2017 by Mr. Joe Crocker, seconded by Dr. Robert Schaaf, and unanimously approved with the recusal of Mr. Bill Paugh.

**June 20, 2017** – To consider for approval (1) Resolution authorizing a Supplement to the Official Statement for forward delivery bonds, the proceeds of which will be loaned to Mission Health System, Inc., (2) Mission Health reminders and updates, (3) Brief Explanation as to why the Mission Health Series 2017 was structured as a Forward Delivery Bond Issue, (4) Mission Health Bond Sale Approval, (5) Mission Health Exhibit A - MCC Executive Committee Minutes Excerpt from August 19, 2016, (6) CaroMont Conversion Memorandum, and (7) Resolution approving the conversion of CaroMont's Series 2003 Bonds. (see Exhibit B/2).

**COMMISSION ACTION:** Motion was made to approve the Executive Committee actions from June 20, 2017 by Mr. Joe Crocker, seconded by Mrs. Eileen Kugler, and unanimously approved.

**July 25, 2017** – To consider final approval to a refunding transaction for FirstHealth of the Carolinas, Inc. (see Exhibit B/3).

**COMMISSION ACTION:** Motion was made to approve the Executive Committee actions from July 25, 2017 by Mr. Joe Crocker, seconded by Mrs. Eileen Kugler, and unanimously approved.

**VI. BOND PROJECTS**

**A. Forest at Duke Explanation for the Amendment to 1994 Bonds - Crystal Watson-Abbott**

In connection with the issuance of the 2017 refunding bonds for The Forest at Duke, a master trust indenture and a companion deed of trust encumbering their real property are being put in place. The prior bond deals for The Forest at Duke (starting in 1990) did not use a master trust indenture structure (they used a hybrid structure that is more cumbersome), and the issuance of the 2017 refunding bonds presented an opportunity to put in place the most modern and flexible structure for both the 2017 refunding bonds and any future bond issues or other debt incurred by The Forest at Duke.

Upon the issuance of the 2017 refunding bonds and application of the proceeds thereof, the only other outstanding bonds issued by the NCMCC for The Forest at Duke will be their 1994 bonds. The 1994 Bonds are secured by a prior deed of trust (originally put in place in 1990 and amended multiple times over the years) that needs to be cancelled so that the new deed of trust will be a first priority lien. In exchange for the release of the old deed of trust, and to keep the 1994 bonds on parity with the 2017 refunding bonds, The Forest at Duke will issue Obligation No. 1 under the new master trust indenture, which will be secured by the first priority lien of the new deed of trust, to the NCMCC, who will assign it to the 1994 bond trustee as security for the 1994 bonds. Technical amendments to the 1994 trust agreement and loan agreement are needed to reflect this exchange, and the NCMCC is being asked to approve those amendments.

**B. Resolution of the North Carolina Medical Care Commission Approving and Authorizing Execution and Delivery of a First Supplemental Trust Agreement and a First Amendment to Loan Agreement relating to the North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (The Forest at Duke), Series 1994**

WHEREAS, the North Carolina Medical Care Commission (the “Commission”), a commission of the Department of Health and Human Services of the State of North Carolina, has issued its Health Care Facilities First Mortgage Revenue Refunding Bonds (The Forest at Duke), Series 1994 (the “1994 Bonds”) pursuant to the terms of a Trust Agreement, dated as of March 1, 1994 (the “Trust Agreement”), between the Commission and First Union National Bank of North Carolina, succeeded to by U.S. Bank National Association, as trustee (the “Trustee”); and

WHEREAS, the Commission loaned the proceeds from the sale of the 1994 Bonds to The Forest at Duke, Inc. (the “Corporation”) pursuant to a Loan Agreement, dated as of March 1, 1994 (the “Loan Agreement”), between the Commission and the Corporation; and

WHEREAS, as permitted by Section 4.18 of the Loan Agreement, the Corporation is incurring Additional Indebtedness (as defined in the Loan Agreement) through the issuance by the Commission of its Retirement Facilities Refunding Revenue Bonds (The Forest at Duke) Series 2017 (the “2017 Bonds”), the proceeds of which are being loaned by the Commission to the Corporation for the purpose of refunding prior bonds issued by the Commission on behalf of the Corporation; and

WHEREAS, neither the 1994 Bonds nor any other previous series of bonds issued by the Commission for the benefit of the Corporation (starting in 1990) have used a master trust indenture structure (they used a hybrid structure that is more cumbersome), and

WHEREAS, the issuance of the 2017 Bonds presented an opportunity to put in place the most modern and flexible structure for both the 2017 Bonds and any future bond issues or other debt incurred by the Corporation; and

WHEREAS, in connection with the issuance of the 2017 Bonds, a master trust indenture and a companion deed of trust encumbering the Corporation’s real property are being put in place; and

WHEREAS, upon the issuance of the 2017 Bonds and application of the proceeds thereof, the 1994 Bonds will be the only other outstanding bonds issued by the Commission for the Corporation; and

WHEREAS, the 1994 Bonds are secured by a prior deed of trust (originally put in place in 1990 and amended multiple times over the years) that needs to be cancelled so that the new deed of trust will be a first priority lien; and

WHEREAS, in exchange for the release of the old deed of trust, and to keep the 1994 Bonds on parity with the 2017 Bonds, the Corporation will issue Obligation No. 1 under the new master trust indenture, which will be secured by the first priority lien of the new deed of trust, to the Commission, who will assign it to the trustee for the 1994 Bonds as security for the 1994 Bonds; and

WHEREAS, technical amendments to the Trust Agreement and the Loan Agreement are needed to reflect this exchange; and

WHEREAS, Section 1101 of the Trust Agreement permits the Commission and the Trustee, without the consent of any bondholder, to enter into agreements supplemental to the Trust Agreement to make any provision with respect to matters or questions arising under the Trust Agreement if the Trustee determines such supplemental agreement shall not materially and adversely affect the bondholders; and

WHEREAS, Section 10.02(b) of the Loan Agreement permits the Commission and the Corporation, with the consent of the Trustee, but without the consent of or notice to any bondholders, to enter into an amendment to the Loan Agreement to make any amendments with respect to matters or questions arising under the Loan Agreement that do not materially and adversely affect the bondholders; and

WHEREAS, there has been presented to officers and staff of the Commission draft copies of (1) a First Supplemental Trust Agreement, to be dated on or after August 24, 2017 (the “Supplement”) between the Commission and the Trustee, and (2) a First Amendment to Loan Agreement, to be dated on or after August 24, 2017 (the “Amendment”) between the Commission and the Corporation, which amend the Trust Agreement and the Loan Agreement to reflect the execution and delivery of the new master trust indenture and new deed of trust and the issuance of Obligation No. 1; and

WHEREAS, the Corporation has requested that the Commission approve the Supplement and the Amendment and authorize the execution and delivery thereof;

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

Section 1. The forms, terms and provisions of the Supplement and the Amendment are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are hereby authorized and directed to execute and deliver the Supplement and the Amendment in substantially the forms presented at this meeting, together with such changes, modifications and deletions as they, with the advice of bond 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 2. This Resolution shall take effect immediately upon its passage.

Remarks were made by Dr. John Fagg, Mr. Joe Crocker, Ms. Crystal Abbott, Mr. Allen Robertson, and Ms. Anita Holt.

**COMMISSION ACTION:** Motion was made by Mr. Paul Wiles to approve the Resolution, seconded by Mr. Charles Hauser, and unanimously approved.

**C. Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$20,210,000 North Carolina Medical Care Commission Health Care Facilities Refunding Revenue Bonds (The Forest at Duke) Series 2017**

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 Forest at Duke, Inc. (the “Corporation”) is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina and is a “nonprofit agency” within the meaning of the Act; and

WHEREAS, the Corporation has made application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (i) refund \$22,055,000 of the Commission’s Retirement Facilities First Mortgage Revenue Refunding Bonds (The Forest at Duke) Series 2007 (the “Prior Bonds”) and (ii) pay certain expenses incurred in connection with the issuance of the Bonds (as hereinafter defined) by the Commission; and

WHEREAS, the proceeds of the Prior Bonds were used, together with other available funds, to (1) refund the Commission’s Retirement Facilities First Mortgage Revenue Bonds (The Forest at Duke Project), Series 2002 (the “2002 Bonds”), (2) refund the Commission’s Retirement Facilities First Mortgage Revenue Refunding Bonds (The Forest at Duke Project), Series 2003B (the “2003B Bonds”), (3) fund a debt service reserve fund and (4) pay certain expenses incurred in connection with the issuance of the Prior Bonds by the Commission; and

WHEREAS, the proceeds of the 2002 Bonds were used, together with other funds, to (1) finance the expansion of and renovations to the Corporation’s continuing care retirement facility known as The Forest at Duke (the “Facility”), consisting of (a) the construction and equipping of a three-story building of approximately 60,212 square feet, containing 34 new assisted living units, (b) the renovation and reconfiguration of the community center, dining room and common areas of approximately 40,000 square feet, and (c) the redecoration of assisted living and skilled nursing units of the health care center and the phased reclassification of certain assisted living units to skilled nursing units, (2) fund a portion of interest accruing on the 2002 Bonds, (3) fund a debt service reserve fund and (4) pay certain expenses incurred in connection with the issuance of the 2002 Bonds by the Commission; and

WHEREAS, the proceeds of the 2003B Bonds were used, together with other funds, to (1) refund a portion of the Commission’s Health Care Facilities First Mortgage Revenue Refunding Bonds (The Forest at Duke), Series 1994 (the “1994 Bonds”), (2) fund a debt service reserve fund and (3) pay certain expenses incurred in connection with the issuance of the 2003B Bonds by the Commission. The proceeds of the 1994 Bonds were used, together with other funds, to (1) refund the Commission’s Health Care Facilities First Mortgage Revenue Bonds (The Forest at Duke), Series 1990A (the “1990 Bonds”), (2) fund a debt service reserve fund and (3) pay certain expenses incurred in connection with the issuance of the 1994 Bonds by the Commission. The proceeds of the 1990 Bonds were used to finance the cost of acquiring, constructing and equipping the Facility; and

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted by the Commission on April 25, 2017, has approved the issuance of the

Bonds, subject to compliance by the Corporation with the conditions set forth in such resolution, and the Corporation has complied with such conditions to the satisfaction of the Commission; and

WHEREAS, there have been presented to officers and staff of the Commission draft copies of the following documents relating to the issuance of the Bonds:

(a) a Trust Agreement dated as of August 1, 2017 (the “Trust Agreement”) between the Commission and U.S. Bank National Association, as bond trustee (in such capacity, the “Bond Trustee”);

(b) a Loan Agreement dated as of August 1, 2017 (the “Loan Agreement”) between the Commission and the Corporation;

(c) a Master Trust Indenture dated as of August 1, 2017 (as supplemented, the “Master Indenture”) between the Corporation and U.S. Bank National Association, as master trustee (the “Master Trustee”);

(d) a Supplemental Indenture for Obligation No. 2 dated as of August 1, 2017 (“Supplement No. 2”) between the Corporation and the Master Trustee;

(e) Obligation No. 2 dated as of the date of delivery thereof (“Obligation No. 2”) from the Corporation to the Commission;

(f) a Contract of Purchase to be dated as of the date of delivery of the Bonds (the “Purchase Agreement”) between the Local Government Commission of North Carolina (the “LGC”) and STI Institutional & Government, Inc., as the initial purchaser of the Bonds (the “Purchaser”), and approved by the Commission and the Corporation;

(g) a Continuing Covenant Agreement dated as of August 1, 2017 (the “Covenant Agreement”) between the Corporation and the Purchaser;

(h) a Supplemental Indenture for Obligation No. 3 dated as of August 1, 2017 (“Supplement No. 3,” and collectively with Supplement No. 2, the “Supplemental Indentures”) between the Corporation and the Master Trustee;

(i) Obligation No. 3 dated as of the date of delivery thereof (“Obligation No. 3,” and collectively with Obligation No. 2, the “Obligations”) from the Corporation to the Purchaser; and

(j) a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of August 1, 2017 (the “Deed of Trust”) from the Corporation to the deed of trust trustee named therein for the benefit of the Master Trustee; and

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Loan Agreement, the Master Indenture, the Supplemental Indentures, the Obligations, and the Covenant Agreement; 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:



Section 1. 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.

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of its Health Care Facilities Refunding Revenue Bonds (The Forest at Duke) Series 2017 (the “Bonds”), in the aggregate principal amount of \$20,210,000. The Bonds shall mature on September 1, 2032 (the “Maturity Date”) and shall bear interest at such rates determined in accordance with the Trust Agreement and shall be subject to the Sinking Fund Requirements set forth in Schedule 1 hereto. During the initial Direct Purchase Period (which is to the Maturity Date), the Bonds will bear interest at a fixed rate of 2.82% per annum, subject to adjustment under certain circumstances.

The Bonds shall be issued as fully registered bonds in (i) denominations of \$250,000 and multiples of \$5,000 in excess thereof during any Direct Purchase Period, (ii) denominations of \$100,000 and multiples of \$5,000 in excess of \$100,000 during any Short-Term Rate Period or any Medium-Term Rate Period that is not a Direct Purchase Period, and (iii) denominations of \$5,000 and integral multiples thereof during any Fixed Rate Period that is not a Direct Purchase Period. Except during a Direct Purchase Period, the Bonds shall be issuable in book-entry form as provided in the Trust Agreement. 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.

Section 3. The Bonds shall be subject to (i) optional, extraordinary and mandatory redemption, (ii) during any Weekly Rate Period, optional tender for purchase, and (iii) mandatory tender for purchase, all at the times, upon the terms and conditions, and at the prices set forth in the Trust Agreement.

Section 4. The proceeds of the Bonds shall be applied as provided in Section 2.08 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to refund the Prior Bonds and pay costs of issuing the Bonds will accomplish the public purposes set forth in the Act.

Section 5. The forms, terms and provisions of the Trust Agreement and the Loan 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 and deliver the Trust Agreement and the Loan Agreement 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.

Section 6. 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.

Section 7. 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.

Section 8. The forms, terms and provisions of the Master Indenture, the Supplemental Indentures, the Obligations, the Deed of Trust and the Covenant Agreement 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 Agreement 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.

Section 9. 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; provided, however, that such approval shall be of no effect if the Local Government Commission does not so authorize such sale of the Bonds.

Section 10. 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 2.08 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Purchaser against payment therefor.

Section 11. U.S. Bank National Association is hereby appointed as the initial Bond Trustee for the Bonds.

Section 12. If the Bonds are converted to a Rate not in a Direct Purchase Period, the Depository Trust Company, New York, New York is hereby appointed as the initial Securities Depository of the Bonds, with Cede & Co., a nominee thereof, being the initial Securities Depository Nominee and initial registered owner of the Bonds.

Section 13. S. Mark Payne, Secretary of the Commission, and Kathy C. Larrison and Crystal Watson-Abbott, Auditors for the Commission, are each hereby appointed a Commission Representative as that term is defined in the Loan Agreement, with full power to carry out the duties set forth therein.

Section 14. 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, the Loan Agreement, the Purchase Agreement, the Deed of Trust and the Covenant Agreement, including the refunding of the Prior Bonds.

Section 15. This Series Resolution shall take effect immediately upon its passage.

Schedule 1

<u>Due</u> <u>September 1</u>	<u>Sinking Fund</u> <u>Requirement</u>	<u>Due</u> <u>September 1</u>	<u>Sinking Fund</u> <u>Requirement</u>
2018	\$1,095,000	2026	\$1,375,000
2019	1,125,000	2027	1,415,000
2020	1,165,000	2028	1,460,000
2021	1,190,000	2029	1,500,000
2022	1,225,000	2030	1,540,000
2023	1,265,000	2031	1,585,000
2024	1,305,000	2032*	1,630,000
2025	1,335,000		

\* Maturity

Professional Fees Comparison for  
The Forest at Duke, Inc.

<u>Professional</u>	<u>Fees Estimated</u> <u>In Preliminary</u> <u>Approval</u> <u>Resolution</u>	<u>Actual Fees</u>
Purchaser fee	\$10,308	\$10,105
Purchaser Counsel	35,000	32,500
Bond counsel	65,000	60,000
Corporation counsel	45,000	45,000
Placement Agent*	72,153	70,735
Trustee counsel	10,000	6,500

\*Listed as underwriter's fee in preliminary resolution.

**The Forest at Duke**  
**Series 2017 Bond**  
**Refinancing**  
**NC Medical Care Commission Bond Sale Approval**  
**Policy**

	<b>Time of</b> <b>Preliminary Approval</b>	<b>Time of</b> <b>Final Approval</b>
- Estimated Interest Rate	3.00%	2.82%

- All In True Interest Cost	3.31%	3.12%
- Maturity Schedule	2017 - 2032	2017-2032
- Estimated NPV Savings (\$)	\$2,522,279	\$2,812,124
- Estimated NPV Savings (%)	11.40%	12.34%

Remarks were made by Dr. John Fagg, Mr. Joe Crocker, Ms. Crystal Abbott, Mr. Allen Robertson, and Ms. Anita Holt.

**COMMISSION ACTION:** Motion was made by Mr. Paul Wiles to approve the Resolution, seconded by Mr. Charles Hauser, and unanimously approved.

**D. Duke University Health System, Inc., Durham, NC - Crystal Watson-Abbott**

Remarks were made by Mr. Joe Crocker, Ms. Crystal Abbott, Dr. Henry Unger, Dr. Robert Alphin, and Ms. Susan Creekmuir. (see Exhibit F – Community Benefits Report)

**Resolved:** The Commission grants preliminary approval to a project for Duke University Health System, Inc. for the establishment of a tax-exempt operating/financing lease program (“the lease program”), to be capped at \$40 million. The lease program will cover the three fiscal year period ending June 30, 2020. The new lease program will replace the lease program which expired June 30, 2017. The \$40 million in leases for equipment will be utilized at Duke University Hospital, Duke Regional Hospital, Duke Raleigh Hospital, and/or other health care facilities operated by Duke University Health System, Inc. The lessor for the program will be TD Equipment Finance, Inc. The proposed transaction is in accordance with an application received as follows:

**COMMISSION ACTION:** Motion was made by Mr. Charles Hauser to approve the Resolution, seconded by Dr. Robert Schaaf, and unanimously approved with the recusal Dr. Devdutta Sangvai.

**ESTIMATED SOURCES OF FUNDS**

Tax Exempt Lease	\$40,000,000
Equity Contribution	75,000
<b>Total Sources</b>	<b>\$40,075,000</b>

**ESTIMATED USES OF FUNDS**

Moveable equipment leases	\$40,000,000
Corporation Counsel	35,000
Bond counsel	30,000

Lessor Counsel Fee	<u>10,000</u>
<b>Total Uses</b>	<b>\$40,075,000</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 draw of the leases.
3. Financial feasibility must be determined prior to the issuance of leases.
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 leases for this project and may approve the issuance of such greater amount of the leases 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 leases shall be put in place 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 leases 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 leases, 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                          | <u>  ✓  </u>  | Yes | <u>      </u> | No | <u>      </u> | N/A |
| 2. Construction and related costs are reasonable | <u>      </u> | Yes | <u>      </u> | No | <u>  ✓  </u>  | N/A |

**Notes:**

**1) Information from 2016 Audit of Duke University Health System, Inc.**

Operating income		\$303,154,000
Change in unrestricted net assets	(A)	(788,227,000)
Change in net assets	(A)	(787,990,000)
Net cash provided by operating activities		513,130,000
Net decrease in cash and cash equivalents (B)		(153,193,000)

**(A) Primarily due to transfers to University (School of Medicine) and an increase in the projected benefit obligation of the DUHS pension plan.**

**(B) Primarily due to the purchase of additional investments.**

**2) Ratings:**

Fitch	<u>AA</u>
Moody's	<u>Aa2</u>
Standard & Poor's	<u>AA</u>

**3) Community Benefits from 2016 ANDI Report**

	Community Benefits	Costs of Treating Bad Debt Patients
Duke University	\$297,213,652	\$13,376,391
Duke Regional	62,094,062	2,831,380
Duke Raleigh	66,099,172	3,042,974
Total	<u>\$425,406,886</u>	<u>\$19,250,745</u>

**4) Long Term Service Coverage Ratios**

Actual	FYE	2016	8.66
Forecasted	FYE	2017	7.36
Forecasted	FYE	2018	7.50
Forecasted	FYE	2019	6.93

**5) Transaction Participants**

Bond Counsel	Robinson Bradshaw & Hinson, P.A.
Corporation Counsel	Parker Poe Adams & Bernstein, LLP
Lessor	TD Equipment Finance, Inc.
Lessor Counsel	Womble Carlyle Sandridge & Rice, LLP

**6) Other Information**

Board diversity

Male: 15  
Female: 6  
 Total: 21

Caucasian: 18  
African American: 3  
 Total 21

7) **Compliance**

Upon review of the routine annual and quarterly document filings as of June 26, 2017, Duke University Health System is in compliance with the NC Medical Care Commission’s Policy on Compliance by Borrowers.

8) **Equipment Purchases**

**DUHS**

**POTENTIAL CAPITAL PROJECTS FOR TAX EXEMPT FINANCING**

Capital Project and Spend (in 000's)*	FY 2018	FY 2019	FY 2020
DRAH - CT Replacements (OPI and inside hospital) (2)			
DUH - Cancer Center - CT Scanner			
DUH - Adult Cath Lab 2 Replacement	3,000		
DRH - Linear Accelerator Replacement	5,000		
DRH - CT 2 Replacement	3,000		
DUH - CT Scanner ED #2 Replacement		3,200	
AMB - Duke Center at Heritage Equipment		3,200	
AMB - Duke Center at Holly Springs MRI		3,200	
DUH - North K4 Vascular System Replacement			3,000
DRH - Vascular Room 2 Replacement			2,530
AMB - Duke Center at Greenlevel Equipment			3,200
<b>Total of Potential Equipment List</b>	<b>\$ 11,000</b>	<b>\$ 9,600</b>	<b>\$ 8,730</b>

**E. Vidant Health, Greenville, NC -**

**Kathy C. Larrison**

**RESOLUTION OF THE NORTH CAROLINA MEDICAL CARE COMMISSION APPROVING AND AUTHORIZING CONVERSION OF THE NORTH CAROLINA MEDICAL CARE COMMISSION HEALTH CARE FACILITIES REVENUE BONDS (UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA), SERIES 2011 TO A NEW INDEX INTEREST RATE**

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; and

WHEREAS, the Commission has issued its Health Care Facilities Revenue Bonds (University Health Systems of Eastern Carolina), Series 2011, of which \$43,710,000 aggregate principal amount is outstanding (the “Bonds”), pursuant to the terms of a Trust Agreement, dated as of June 1, 2011, as supplemented and amended by a First Amendment to Trust Agreement, dated as of August 1, 2013 (collectively, the “Trust Agreement”), each between the Commission and U.S. Bank, National Association, as bond trustee; and

WHEREAS, the Commission has loaned the proceeds from the sale of the Bonds to University Health Systems of Eastern Carolina, Inc. d/b/a Vidant Health (the “Parent Corporation”) and Pitt County Memorial Hospital, Incorporated d/b/a Vidant Medical Center (the “Corporation”) pursuant to a Loan Agreement, dated as of June 1, 2011, between the Commission, the Parent Corporation and the Corporation; and

WHEREAS, the Bonds were issued initially in an Index Interest Rate Period and purchased by Bank of America, N.A., as the initial Bank Holder (as such terms are defined in the Trust Agreement); and

WHEREAS, following the issuance of the Bonds, Bank of America, N.A. assigned its interest in the Bonds to Specialized Lending, LLC (“Specialized Lending”), an affiliate of Bank of America, N.A.; and

WHEREAS, the Bonds presently bear interest at an Index Interest Rate (as defined in the Trust Agreement) equal to 65.1% of one-month LIBOR plus 0.88225% per annum; and

WHEREAS, the Bonds are subject to mandatory tender on the Index Interest Rate Purchase Date (as defined in the Trust Agreement), currently specified to be June 23, 2018; and

WHEREAS, the Parent Corporation proposes to deliver a Conversion Direction (the “Conversion Direction”) to direct that the Bonds be converted to a new Index Interest Rate (the “Conversion”) beginning on September 1, 2017 (the “Conversion Date”); and

WHEREAS, on the Conversion Date, the Bonds will be purchased by Specialized Lending who has agreed to hold the Bonds for seven years at an Index Interest Rate of 68% of one-month LIBOR plus 0.55% per annum (subject to adjustment as provided in the Conversion Direction and the Trust Agreement); and

WHEREAS, the Conversion will be treated as a “reissuance” (i.e., a deemed current refunding) of the Bonds for federal income tax purposes; and

NOW THEREFORE, BE IT RESOLVED by the North Carolina Medical Care Commission as follows:



Section 1. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes and approves the Conversion and the distribution of the Conversion Direction by the Parent Corporation in substantially the form presented at this meeting, together with such changes, modifications and deletions as the Chairman, the Vice Chairman or the Secretary of the Commission, with the advice of counsel, may deem necessary and appropriate. The forms, terms and provisions of the Continuing Covenant Agreement are hereby approved in substantially the form presented at this meeting, together with such changes, modifications and deletions as the Chairman, the Vice Chairman or the Secretary of the Commission, with the advice of counsel, may deem necessary and appropriate.

Section 2. The Chairman, the Vice Chairman or the Secretary of the Commission (or any member of the Commission designated by the Chairman) or any duly authorized Commission Representative under the Trust Agreement is hereby authorized and directed to execute and deliver a replacement Bond reflecting the terms of the Conversion Direction to Specialized Lending and to take such other action and to execute and deliver any such other documents, certificates, undertakings, agreements or other instruments as they, with the advice of bond counsel, may deem necessary or appropriate to effect the Conversion changes made in the Conversion Direction.

Section 3. The professional fees for this transaction are set forth in Exhibit A attached hereto.

Section 4. This resolution shall take effect immediately upon its adoption.

ADOPTED the 11<sup>th</sup> day of August, 2017.

A PowerPoint presentation was given and remarks were made by Dr. John Fagg, Ms. Kathy Larrison, Mr. David Hughes, Mr. Jon Mize, Mr. Paul Wiles, Dr. Robert Schaaf, and Mr. Charles Hauser. (see Exhibit G)

**COMMISSION ACTION:** Motion was made to approve the Resolution by Dr. Devdutta Sangvai, seconded by Ms. Eileen Kugler, and unanimously approved with the recusals of Ms. Vickie Beaver and Dr. Robert Schaaf.

EXHIBIT A

**PROFESSIONAL FEES**

<u>Professional</u>	<u>Fee</u>
Bond Counsel	\$50,000
Bank Counsel	\$10,000
Combined Group Counsel	\$45,000
Financial Advisor	\$45,000
Trustee	\$500

Note: Professional fees will be paid by the Parent Corporation directly and will not be paid from Bond proceeds.

**Notes:**

**1) Information from the 2016 Audit of Vidant Health:**

Operating income	\$ 75,666,000
Change in net position	\$ 83,663,000
Net cash provided by operating activities	\$ 122,810,000
Net (decrease) increase in Cash & Cash Equivalents	\$ (113,243,000)

**2) Ratings:**

- a) Moody's A1
- b) S&P A+

**3) Community Benefits Per NCHA ANDI Report – FYE 2016:**

a) Community Benefits	\$ 175,014,482
b) Bad Debt	\$ 18,723,167

**4) Long Term Service Coverage Ratios:**

Actual	FYE	2016	3.1
Forecasted	FYE	2017	4.1
Forecasted	FYE	2018	4.5
Forecasted	FYE	2019	4.9

**5) Transaction Participants:**

Financial Advisor	Ponder & Co.
Bond Counsel	Womble Carlyle Sandridge & Rice, LLP
Corporation Counsel	K & L Gates, LLP
Bank Purchaser	Specialized Lending, LLC, an affiliate of Bank of America, N.A.
Bank Counsel	Parker Poe Adams & Bernstein, LLP
Bond Trustee	U.S. Bank, N.A.

**6) Board Diversity:**

**a. Vidant Medical Center**

Male:	13	Caucasian:	18
Female:	<u>7</u>	African American:	<u>2</u>
<b>Total</b>	<b>20</b>	<b>Total</b>	<b>20</b>

**b. Vidant Health**

Male:	9	Caucasian:	9
Female:	<u>2</u>	African American:	<u>2</u>
<b>Total</b>	<b>11</b>	<b>Total</b>	<b>11</b>

**7) Compliance**

There are no findings to report for Vidant Health's FYE 2015 and FYE 2016. As of July 20, 2017, Vidant Health is in compliance with the routine document filings required to date for FYE 2017. At the time the compliance examination for FYE 2017 is completed, areas of non-compliance may be discovered.

8) **Principal Amortization will be consistent with the existing Series 2011 Bond amortization schedule.**

**REMAINING MATURITY SCHEDULE**

2017	\$1,180,000
2018	\$1,225,000
2019	\$1,270,000
2020	\$1,315,000
2021	\$1,360,000
2022	\$1,410,000
2023	\$1,460,000
2024	\$1,510,000
2025	\$1,565,000
2026	\$1,620,000
2027	\$1,680,000
2028	\$1,740,000
2029	\$1,800,000
2030	\$1,865,000
2031	\$1,930,000
2032	\$2,000,000
2033	\$2,070,000
2034	\$2,145,000
2035	\$2,220,000
2036	\$2,300,000
2037	\$2,380,000
2038	\$2,465,000
2039	\$2,555,000
2040	\$2,645,000

**F. Carolina Village, Inc., Hendersonville, NC – Crystal Watson-Abbott and Steven C. Lewis**

A PowerPoint presentation was given and remarks were made by Mr. Joe Crocker, Ms. Crystal Abbott, Mr. Richard Marvin, Mr. Kevin Parries, Mr. Tom Bowden, Mr. Charles Hauser, and Mr. Paul Wiles. (see Exhibit H)

**Resolved:** The Commission grants preliminary approval for a project for Carolina Village, Inc., to be used together with other available funds to (1) refund the \$19,575,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (Carolina Village Project) Series 2008A outstanding in the amount of \$17,560,000, (2) refund the \$18,745,000 North Carolina Medical Care Commission Variable Rate Retirement Facilities First Mortgage Revenue Refunding Bonds (Carolina Village) Series 2013A outstanding in the amount of \$16,180,000, (3) refund a taxable loan with First Citizens Bank outstanding in the amount of \$6,373,476, and (4) to fund the construction of: one – four story 77,366 sq. ft. independent living building [36 units], seven – two story 10, 466 sq. ft. independent living simplexes [42 units], six – 3,870 sq. ft. duplexes [12 units] for a total of 90 units in approximately 174,000 sq. ft. Additionally, a new maintenance building, remodeling of a portion of the Main Street Building, parking and entrance road realignment are to be done all in accordance with a preliminary application, plans and specifications and participation as follows:

**COMMISSION ACTION:** Motion was made by Dr. Henry Unger to approve the Resolution, seconded by Dr. Devdutta Sangvai, and unanimously approved with the recusal of Dr. John Fagg.

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$83,034,508
2008A Debt Service Reserve Fund	1,957,500
Other – Premium	<u>803,816</u>
<b>Total</b>	<b>\$85,795,824</b>

**ESTIMATED USES OF FUNDS**

Site costs (land acquisition, utility development and accessibility costs)	\$3,002,450
Construction contracts	29,908,332
Construction contingency (5% of construction)	1,500,000
Architect/engineer fees and reimbursable	1,650,000
Escrow for Series 2008A Bonds	18,006,253
Amount required to refund Series 2013A Bonds	15,935,000
Amount required to refund Taxable Loan	6,290,320
Swap Termination for Series 2008A Bonds	2,000,000
Bond interest during construction	2,701,517
Debt service reserve fund	3,399,354
Underwriters' discount/placement fee	750,222
Financial Advisor	50,000
Feasibility fees	125,000
Accountants' fees	25,000
Borrower's Counsel	18,000
Bond Counsel	130,000
Trustee fees	3,500
Printing costs	5,000
DHSR reimbursable	26,627
Local Government Commission fee	8,750
Underwriters Counsel	86,600
Bank Counsel	25,000
Bank Committee Fee	123,899
Actuarial report	<u>25,000</u>
<b>Total Uses</b>	<b>\$85,795,824</b>

Tentative approval is given with the understanding that the governing board of Carolina Village, 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 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.

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 2017 Audit of Carolina Village, Inc.**

Operating loss (A)		\$(1,105,461)
Change in unrestricted net assets		374,355
Change in net assets		461,478
Net cash provided by operating activities		3,926,170
Change in cash		20,515

(A) Primarily due to several small independent living units being “taken off line” in order to do renovations and combinations to make units marketable to larger consumer population.

**2) Ratings:** Carolina Village, Inc. is not rated

**3) Community Benefit Percentage G.S. 105 = 13%, which qualifies Carolina Village, Inc. for 100% property tax exemption.**

**4) Long Term Service Coverage Ratios**

Actual	FYE	2017	1.85
Forecasted	FYE	2018	1.76
Forecasted	FYE	2019	1.48
Forecasted	FYE	2020	1.52
Forecasted	FYE	2021	2.55

**5) Transaction Participants**

Underwriter/Placement Agent	BB&T Capital Markets
Bond Counsel	Robinson Bradshaw & Hinson, P.A.
Corporation Counsel	Prince, Youngblood and Massagee, PLLC
Underwriter Counsel	Haynsworth, Sinkler, Boyd, P.A.
Purchaser Counsel	TBD
Purchaser	TBD
Bond Trustee	US Bank, N.A.
Bond Trustee Counsel	TBD
Feasibility Consultant	Dixon Hughes Goodman LLP

**6) Other Information**

**(a) Board diversity**

Male:	9
<u>Female:</u>	<u>5</u>
Total	14

Caucasian:	13
<u>Hispanic:</u>	<u>1</u>
Total	14

**(b) Diversity of residents at Carolina Village, Inc.**

Male:	156
<u>Female:</u>	<u>347</u>
Total	503

Caucasian:	500
Hispanic:	1
<u>Indian:</u>	<u>2</u>
Total	503

## 7) Compliance

### Carolina Village Annual Audited vs Annual Unaudited FYE 2015 & 2016

<u>Financial Ratio</u>	<u>Audited FYE 2015</u>	<u>Unaudited FYE 2015</u>
Long Term Debt Service Coverage Ratio	1.97	1.61
Days Cash on Hand	172	168.6
Reserve Ratio	28.6%	27.0%

<u>Financial Ratio</u>	<u>Audited FYE 2016</u>	<u>Unaudited FYE 2016</u>
Long Term Debt Service Coverage Ratio	1.36	1.44
Days Cash on Hand	150	147.9
Reserve Ratio	26.0%	25.1%



Carolina Village  
Findings  
Series 2008A & 2013A  
FYE: March

Findings	Date to Be Filed	Date Received	Notes	Comments
Operating & Capital Budget of the Obligated Group for the ensuing FY.	3/31/2015	4/13/2015	Note 2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
Annual Audited LTDSR posted to EMMA - Secondary Market Disclosure	7/29/2015	10/5/2015	Note 2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances
Annual Audited LTDSR posted to EMMA - Secondary Market Disclosure	7/29/2016	1/5/2017	Note 3, Note 4	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
Annual Audited DCOH posted to EMMA - Secondary Market Disclosure	7/29/2015	10/5/2015	Note 2	Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances
Annual Audited DCOH posted to EMMA - Secondary Market Disclosure	7/29/2016	1/5/2017	Note 3, Note 4	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
Annual Audited Reserve Ratio posted to EMMA - Secondary Market Disclosure	7/29/2015	10/5/2015	Note 2	Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances
Annual Audited Reserve Ratio posted to EMMA - Secondary Market Disclosure	7/29/2016	1/5/2017	Note 3, Note 4	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers

**Notes:**

- Note 1: Does not meet Section (A) - Multiyear history of compliance, Section (B) - Minimum 12 month compliance requirement or Section (C) - Minimum 6 month compliance requirement w/mitigating circumstances per the MCC Policy on Compliance by Borrowers.
- Note 2: Does not meet Section (A) - Multiyear history of compliance - but, meets Section (B) of the MCC Policy on Compliance by Borrowers - MCC will not issue tax-exempt debt for a healthcare entity that has not been in compliance for at least 12 months prior to filing the application - entity has been in compliance for 12 months
- Note 3: Entity has not been in compliance for a minimum of 12 months, but may meet Section (C) of the MCC Policy on Compliance by Borrowers - Entity has been in compliance with the covenant for 6 months if mitigating circumstances warranting consideration by the Commission.
- Note 4: Carolina Village filed the annual unaudited LTDSR, DCOH and Reserve Ratio for FYE 2015 and 2016, however, the Secondary Market Disclosure Requirement in the Loan Agreement requires the annual audited LTDSR, DCOH and Reserve Ratio be filed within 120 day after the FYE. On October 5, 2015, Mr. Bell (CFO) of Carolina Village was notified to meet the compliance requirement, the annual unaudited LTDSR, DCOH and Reserve Ratio's must be updated with the annual audited ratios to ensure any variations in the ratios were properly reflected. The attached schedule shows the minimal variations between the audited and unaudited annual financial ratio information. It should be noted Carolina Village timely filed the entities FYE 2017 annual audited information, including all Secondary Market Disclosure information per the Loan Agreement on June 23, 2017.

8) Fee Schedules

**CAROLINA VILLAGE, INC.**

January 01, 2017

			MEALS = 944 COUPLES		MEALS = 472 SINGLES	
			* MONTHLY		* MONTHLY	
			ENTRANCE FEE	FEE	ENTRANCE FEE	FEE
<b>#</b>	<b>SMOKEY MTN SERIES</b>	<b>size</b>				
6	STUDIO	300	N/A	N/A	N/A	1,532
40	EFFICIENCY	440	N/A	2,921	N/A	1,704
<b>PISGAH SERIES</b>						
53	ONE BEDROOM STD	600	207,700	3,189	155,200	1,972
21	ONE BEDROOM DELUXE	740	225,800	3,372	173,300	2,155
<b>BLUE RIDGE SERIES</b>						
36	TWO BEDROOM STD	740	225,800	3,372	173,300	2,155
17	TWO BED EXPANDED	900	240,400	3,637	187,900	2,420
15	TWO BED CUSTOM	1040	260,200	3,809	207,700	2,592
2	TWO BEDROOM DELUXE	1200	291,400	4,006	238,900	2,789
<b>SUMMIT SERIES</b>						
12	ONE BEDROOM	814	245,000	3,841	192,500	2,624
12	ONE BEDROOM W/DEN	1050	299,900	4,455	247,400	3,238
<b>PINNACLE SERIES</b>						
27	TWO BEDROOM	1160	302,500	4,613	250,000	3,396
3	TWO BEDROOM W/DEN	1372	342,600	5,035	290,100	3,818
3	TWO BEDROOM CORNER	1366	341,400	5,056	288,900	3,839
6	TWO BED CORNER W/DEN	1541	378,300	5,228	325,800	4,011
<b>WOODS COTTAGE</b>						
8	EXPANDED	945	257,100	3,691	204,600	2,474
10	CUSTOM	1092	286,500	3,871	234,000	2,654
9	DELUXE	1260	318,500	4,078	266,000	2,861
<b>GARDEN COTTAGE</b>						
12	STANDARD	1482	366,100	4,458	313,600	3,241
11	EXPANDED	1612	390,000	4,619	337,500	3,402
4	CUSTOM	1742	416,900	4,791	364,400	3,574
<b>MEADOWS COTTAGE</b>						
9	STANDARD	1322	330,900	4,255	278,400	3,038
6	EXPANDED	1422	350,900	4,448	298,400	3,231
6	CUSTOM	1504	366,300	4,530	313,800	3,313
6	DELUXE	1604	386,700	4,727	334,200	3,510

334

Woods Cottages with winterized patios will have an additional Entrance Fee charge of \$ 5,000  
 Apartments with pond/water feature view will have an additional Entrance Fee charge of \$5,000

\* includes one meal per day per resident

### Carolina Village, Inc. Pre-Construction Fees April 2017

	<i>meal plan</i>	<i>Sq. Ft</i>	<b>Singles</b>		<b>Couples</b>	
			Entrance Fee	Monthly Fee <i>(2017 fees subject to increases)</i>	Entrance Fee	Monthly Fee <i>(2017 fees subject to increases)</i>
	<i>in fees</i>					
Clear Creek Cottages	1/2	1,244	274,400	2,790	326,900	3,771
Clear Creek Cottages	1/2	1,400	311,150	3,132	363,650	4,113
Clear Creek Cottages	1/2	1,665	379,750	3,770	432,250	4,751
Clear Creek Cottages/Duplex	1/2	1,523	343,000	3,428	395,500	4,409
Lakeside One Bedroom/Den	<i>full</i>	1,134	269,500	3,145	322,000	4,362
Lakeside Two Bedroom	<i>full</i>	1,333	318,500	3,631	371,000	4,848
Lakeside Two Bedroom/Den	<i>full</i>	1,586	388,570	4,326	441,070	5,543

***(Tranquility Lake view additional \$5,000)***

*full meal plan* > \$ 472 *(2017 fees subject to increases)*

*1/2 meal plan* > \$ 236 *(2017 fees subject to increases)*

2nd person entrance fee > \$ 52,500

2nd person monthly service fee > \$ 745 *(2017 fees subject to increases)*

**PRE-CONSTRUCTION PRICING - MONTHLY FEES SUBJECT TO ANNUAL INCREASES**

**9) MCC Bond Sale Approval Policy Information**

**Carolina Village  
Series 2017 Bond Project Financing  
NC MCC Bond Sale Approval Policy**

**Time of Preliminary  
Approval - Series 2017**

- Estimated Interest Rate	2.86 - 5.75%
- All In True Interest Cost*	4.86%
- Maturity Schedule Interest	2017 through 2047
- Maturity Schedule Principal	2017 through 2047
- Estimated NPV Savings (\$) **	\$3,163,919
- Estimated NPV Savings (%) **	7.95%

Footnotes

\*All in True Interest Cost is combined between the 4 pieces of debt; therefore All In TIC reflects entire Series

\*\*Combined the refundings - which is the Bank Bought Bond deal and the Tax-Exempt Fixed Rate Series 2017 Bonds

*The refunding assumes: Existing Bank Bought Debt and taxable debt refunded with new Bank Bought Bond and Series 2008A Fixed Rate Bonds refunded with Series 2017 Fixed Rate Bonds*

**G. United Methodist Retirement Homes, Inc. Durham – Crystal Watson-Abbott and Steven C. Lewis**

A PowerPoint presentation was given and remarks were made by Mr. Joe Crocker, Ms. Crystal Abbott, Mr. Howard DeWitt, Mr. Tommy Brewer, Mr. Jonathan Erickson, Mr. Bill Paugh, and Dr. Robert Schaaf. (see Exhibit I)

**Resolved:** The Commission grants preliminary approval for a project for United Methodist Retirement Homes, Inc., to be used together with other available funds to (1) refund the \$24,250,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (United Methodist Retirement Homes Project) Series 2005B outstanding in the amount of \$9,955,000, (2) refund the \$6,585,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (Cypress Glen Retirement Community) Series 2009 outstanding in the amount of \$5,385,000, (3) refund the \$14,300,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (United Methodist Retirement Homes Project) Series 2010A outstanding in the amount of \$8,145,000, (4) to fund an expansion project consisting of the following: Phase 1 of the Croasdaile Village expansion will include new construction of 17 independent living duplexes (34 cottages), 4 independent living 6-plex home (24 total units), new maintenance building, parking field & outdoor recreation field and redevelopment of main entrance gate. Phase II will include a new 2 story assisted living building, renovation of current assisted living, kitchen/dining renovation, new PT/OT suite, new auditorium, ILU common area renovation & additions, new pool/aquatic center and renovation of the ambulatory clinic, and (5) anticipated to refund approximately \$15,000,000 of a taxable loan with Branch Banking and Trust Company, the proceeds of which have been used for the

expansion project described in item number four. All in accordance with a preliminary application, plans and specifications and participation as follows:

**COMMISSION ACTION:** Motion was made to approve the Resolution by Dr. Devdutta Sangvai, seconded by Ms. Eileen Kugler, and unanimously approved with the recusal of Dr. John Fagg.

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	<u>\$107,900,000</u>
<b>Total Sources</b>	<b>\$107,900,000</b>

**ESTIMATED USES OF FUNDS**

Construction contracts, fixed equip, installation, assoc. const. costs	\$52,579,342
Architect/engineer fees and reimbursable (3.50% of construction)	2,365,277
Construction contingency (5.0% of construction contract)	3,378,967
Moveable equipment	1,200,000
Amount required to refund Series 2005B Bonds	9,955,000
Amount required to refund Series 2009A Bonds	5,385,000
Amount required to refund Series 2010A Bonds	8,145,000
Amount to refund taxable construction loan	15,000,000
Bond interest during construction	4,021,056
Debt service reserve fund	4,078,522
Underwriters' discount/placement fee	1,044,165
Feasibility fees	170,000
Accountants' fees	40,000
Borrower's counsel	75,000
Bond counsel	140,000
Rating Agency	40,000
Trustee fees	7,500
Trustee counsel	7,500
Printing costs	12,500
DHSR reimbursable	45,894
Local Government Commission fee	8,750
Underwriters counsel	55,000
Bank counsel	45,000
Bank commitment fees	40,527
Mortgage RE related (title policy/recording costs, surveys & appraisals)	<u>60,000</u>
<b>Total Uses</b>	<b>\$107,900,000</b>

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

Based on information furnished by applicant, the project is -

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

**Notes:**

**1) Information from 2016 Audit of United Methodist Retirement Homes, Inc.**

Operating income	\$5,552,888
Change in unrestricted net assets	5,106,732
Change in net assets	6,411,620
Net cash provided by operating activities	17,264,137
Change in cash (A)	(961,059)

(A) Primarily due to United Methodist Retirement Homes, Inc. transferring approximately \$1.1 million from cash to investments during FYE 2016.

2) **Ratings:** United Methodist Retirement Homes, Inc. is rated BBB

3) **Community Benefit Percentage G.S. 105 = 10.71%, which qualifies United Methodist Retirement Homes, Inc. for 100% property tax exemption.**

4) **Long Term Service Coverage Ratios**

Actual	FYE	2016	2.92
Forecasted	FYE	2017	2.26
Forecasted	FYE	2018	2.10
Forecasted	FYE	2019	1.80

5) **Transaction Participants**

Underwriter/Placement Agent	Ziegler
Bond counsel	Robinson Bradshaw & Hinson, P.A.
Corporation counsel	Womble Carlyle Sandridge & Rice, LLP
Underwriter counsel	Parker Poe Adams & Bernstein, LLP
Purchaser counsel	Moore & Van Allen
Purchaser	BB&T Community Holdings Co.
Bond Trustee	U.S Bank, N.A.
Bond Trustee Counsel	McGuire Woods, LLP
Feasibility Consultant	Dixon Hughes Goodman LLP

6) **Other Information**

(A) **Board diversity**

Male:	15
Female:	<u>7</u>
Total:	22

Caucasian:	20
Native American:	<u>2</u>
Total:	22

(B) **Diversity of residents at United Methodist Retirement Homes, Inc. –**

	White	African American	Hispanic American	Asian American	Native American
<i>Croasdaile Village (Durham, NC)</i>					
Male	234	5	2	1	-
Female	451	11	-	1	-
<i>Cypress Glen</i>					



<i>(Greenville, NC)</i>					
Male	80	-	-	-	-
Female	204	-	-	-	-
<i>Wesley Pines (Lumberton, NC)</i>					
Male	20	-	3	-	1
Female	89	3	-	-	2
<i>Wesley Ridge Affordable Housing* (Lumberton, NC)</i>					
Male	4	-	-	-	-
Female	14	3	-	-	2
<b>UMRH Total</b>					
Male	338	5	5	1	1
Female	758	17	-	1	4

\*Wesley Ridge Affordable Housing is an affiliate of UMRH, but not part of the Obligated Group.

**7) Fee Schedules**

**A. CROASDAILE VILLAGE**

The current unit mix, size and fees for single occupancy, as of October 1, 2016, at Croasdaile Village are as follows:

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)(3)</sup>
Independent Living Units:				
<b>The Homestead</b>				
<b>Independent Living Apartments:</b>				
Studio	18	400+/-	\$54,800	\$1,801
Alcove	9	490+/-	67,528	2,213
1 Bedroom Standard	27	770-840+/-	118,087	2,695
1 Bedroom Traditional	6	850+/-	125,705	2,755
1 Bedroom Deluxe	27	920+/-	147,419	2,810
1 Bedroom w/Den	9	950+/-	161,846	2,914
1 Bedroom Grande	9	965+/-	157,618	2,959
2 Bedroom Traditional	6	1,060+/-	179,926	3,071
2 Bedroom Conventional	15	1,175+/-	186,916	3,349
2 Bedroom Standard	45	1,110-1,190+/-	170,820	3,116
2 Bedroom Deluxe	40	1,285+/-	193,988	3,396
2 Bedroom w/Den	12	1,350+/-	227,757	3,677
2 Bedroom Grande	9	1,350+/-	215,680	3,673
2 Bedroom Grande II	6	1,450+/-	232,058	3,955
2 Bedroom Executive	5	1,600+/-	255,815	3,990
2 Bedroom Terrace Gr. A	1	1,800+/-	271,184	4,073
2 Bedroom Terrace Gr. B	1	1,865+/-	278,978	4,073
<b>Total Apartments</b>	<b>245</b>			

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)(3)</sup>
<b>The Homes/Duplexes</b>				
Appletree/Duplex	9	1,310+/-	\$205,284	\$3,519
Beechwood/Duplex	20	1,510+/-	230,475	3,585
Beechwood/Home	9	1,510+/-	246,011	3,813
Cottonwood/Duplex	9	1,640+/-	253,024	3,674
Cottonwood/Home	3	1,640+/-	277,021	3,896
Dogwood/Duplex	5	1,810+/-	271,195	3,781
Dogwood/Home	8	1,810+/-	298,269	4,008
Elmwood/Duplex	1	1,940+/-	304,922	4,011
Elmwood/Home	7	1,940+/-	327,466	4,119
Fernwood Duplex	12	1,500+/-	241,896	3,844
Greenwood Duplex	10	1,700+/-	274,146	3,862
Heartwood Duplex	8	1,900+/-	327,466	4,092
<b>Total Homes/Duplexes</b>	<b>101</b>			
<b>Independent Living: Total 346</b>				
<b>Heritage Hall (56 Apartments)</b>				
Independent Living w/Personal Services – Efficiency Apartments				
One Bedroom A	8	650	\$27,763	\$4,654
Studio B	4	565	27,763	4,654
Studio C	2	555	26,518	4,654
Studio F	28	555	26,518	4,654
Studio D	2	530	26,518	4,654
Studio E	12	485	23,071	4,654
<b>Heritage Hall: Total</b>	<b>56</b>			
<b>Friendship House (30 Suites)</b>				
Medical Assisted Living		168	23,071	\$251 <sup>(5)</sup>
Cognitive Impairment		168	23,071	251 <sup>(5)</sup>
<b>Friendship House: Total</b>	<b>30</b>			
<b>The Pavilion (110 Suites)<sup>(4)</sup></b>				
Skilled Nursing Care (Private)		156-187	N/A	\$376 <sup>(5)</sup>
Semi-Private		220-264	N/A	336 <sup>(5)</sup>
Intermediate Nursing Care (Private)		156-187	N/A	347 <sup>(5)</sup>
Semi-Private		220-264	N/A	310 <sup>(5)</sup>
<b>The Pavilion: Total</b>	<b>110</b>			
<b>TOTAL UNITS AND BEDS</b>	<b>542</b>			

<sup>(1)</sup> Entrance Fees shown are for the Standard Plan. Entrance fees under the 50% Refund Plan and the 90% Refund Plan are greater than the Standard Option Plan by a factor of 1.40 and 1.80, respectively.

<sup>(2)</sup> Monthly Fees include: 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.

<sup>(3)</sup> Home Care, Croasdaile Village Clinic and Therapy services are available at additional cost.

<sup>(4)</sup> All 110 beds are Medicare certified, with 60 certified for Medicaid.

<sup>(5)</sup> Rates shown are daily rates.

Entrance Fees and Monthly Fees are reviewed each fiscal year. Monthly Fees have increased approximately 1.0% to 4.0% each of the last five fiscal years. Entrance Fees have increased 2.0% each of the last five fiscal years.

**B. CYPRESS GLEN**

The current unit mix, size and fees, as of October 1, 2016, at Cypress Glen are as follows:

Type of Unit	Number of Units	Average Square Feet	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)</sup>
Independent Living Units:				
<b>Apartments:</b>				
Wings A and B				
Studio	7	230	\$19,344	\$1,738
Single	8	280	23,549	1,826
Deluxe Single	2	399	33,554	2,281
Deluxe Studio	8	460	38,687	2,413
Combination	13	468	39,894	2,460
Combination with patio	2	468	42,335	2,460
Deluxe Suite	17	560	47,094	2,593
Deluxe Suite with patio	2	560	49,535	2,593
1 Bedroom Main	1	616	48,778	2,636
1 Bedroom Suite	1	695	58,450	2,652
2 Bedroom Suite	2	840	70,644	2,777
2 Bedroom Suite with patio	1	840	73,085	2,777
2 Bedroom Deluxe Suite	1	840	70,644	2,777
1 Bedroom Den Main	1	935	73,184	2,777
2 Bedroom Main Grand	1	1,120	88,795	2,905
1 Bedroom Grand	1	859	73,184	2,713
Wing D				
1 Bedroom	9	745	93,364	2,653
1 Bedroom Deluxe	2	826	98,419	2,681
1 Bedroom Deluxe with patio	1	826	100,860	2,681
2 Bedroom	6	1,076	122,257	3,013
2 Bedroom with patio	1	1,076	124,698	3,013
2 Bedroom Deluxe	2	1,322	141,604	3,457
2 Bedroom Deluxe with patio	1	1,322	144,045	3,457
3 Bedroom	2	1,399	145,964	3,678
3 Bedroom with patio	1	1,399	148,405	3,678
3 Bedroom Special	2	1,455	162,047	3,899
3 Bedroom Deluxe	2	1,507	162,047	3,899
3 Bedroom Deluxe with patio	1	1,507	164,488	3,899
Wings East and West				
1 Bedroom Alcove	2	744	98,837	2,662
1 Bedroom Alcove with patio	1	744	101,278	2,662
1 Bedroom	2	805	104,525	2,681
1 Bedroom with patio	1	805	106,693	2,681
1 Bedroom Den	8	961	115,488	2,846
1 Bedroom Den with patio	4	961	117,929	2,846
2 Bedroom	10	1,090	133,207	3,027
2 Bedroom with patio	5	1,090	135,648	3,027
2 Bedroom Bay	8	1,301	155,868	3,677
2 Bedroom Bay with patio	4	1,301	158,127	3,677
2 Bedroom Greatroom	6	1,513	175,651	3,951
2 Bedroom Greatroom with patio	3	1,513	178,092	3,951
<b>Total Apartments</b>	<b>152</b>			

Type of Unit	Number of Units	Average Square Feet	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)</sup>
<b>Cottages:</b>				
The Alder	10	1,680	\$179,496	\$4,010
The Birch	11	1,437	156,846	3,843
The Cypress	6	1,310	157,674	3,678
The Dogwood	8	1,074	124,871	2,978
The Elm	4	2,042	211,971	4,345
The Elm Deluxe	6	2,250+	230,294	4,751
The Willow	1	2,061	231,495	4,433
Total Cottages	46			
<b>Independent Living: Total</b>	<b>198</b>			
<b>Health Care Center:</b>				
Assisted Living Beds:				
Semi-private	4	252	\$15,000	\$221.26 <sup>(3)</sup>
Private	26	273	15,000	239.64 <sup>(3)</sup>
Memory Care Beds:				
Private	12	260+/-	15,000	252.03 <sup>(3)</sup>
Nursing Beds <sup>(4)</sup> :				
Semi-private	4	252	N/A	270.02 <sup>(3)</sup>
Private	26	273	N/A	288.37 <sup>(3)</sup>
<b>Health Care Center: Total</b>	<b>72</b>			
<b>TOTAL UNITS AND BEDS</b>	<b>270</b>			

- (1) Entrance Fees shown are for the Standard Plan. Entrance fees under the 50% Refund Plan, 80% Refund Plan and the 90% Refund Plan are greater than the Standard Option Plan by a factor of 1.40, 1.70 and 1.93, respectively.
- (2) Second person monthly fee is \$977.18 for all independent living units.
- (3) Rates shown are daily rates.
- (4) Six of the 30 beds are Medicare certified.

Entrance Fees and Monthly Fees are reviewed each fiscal year. Monthly Fees have increased approximately 3.50% to 3.85% each of the last five fiscal years. Entrance Fees have increased approximately 0% to 2.00% each of the last five fiscal years.

**C. WESLEY PINES**

The current unit mix, size and fees, as of October 1, 2016, 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>
Independent Living Units:				
<b>The Cottages</b>				
Cottage	12	950-1,050	\$ 62,773	\$2,441
Cottage 50% Plan			83,680	2,441
Cottage 90% Plan			125,599	2,441
Cottage w/Carport			72,334	2,441
Cottage w/Carport 50% Plan			96,445	2,441
Cottage w/Carport 90% Plan			144,668	2,441
<b>The Villas</b>				
Duplex Villa	2	1,250	\$ 81,894	\$2,477
Duplex Villa 50% Plan			109,210	2,477
Duplex Villa 90% Plan			163,736	2,477
Free Standing Villa	2	1,300	95,710	2,477
Free Standing Villa 50% Plan			127,648	2,477

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)</sup>
Free Standing Villa 90% Plan			191,367	2,477
Deluxe Villa	6	1,500	167,684	2,537
Deluxe Villa 50% ROC			219,236	2,537
Deluxe Villa 90% ROC			328,828	2,537
<b>Independent Living: Total</b>	<b>22</b>			
<b>Health Care Center:</b>				
Assisted Living Beds:				
Studio Parkton	5	306	\$4,000	\$3,865
Studio Fairmont	23	360	5,000	4,416
Studio Marietta	2	436	7,000	5,238
Suite Rowland	2	420	12,000	5,238
Suite Pembroke	4	456	15,000	5,521
Nursing Beds: <sup>(3)</sup>				
Semi-private	40	375-380	N/A	236 <sup>(4)</sup>
Private	22	230	N/A	250 <sup>(4)</sup>
<b>Health Care Center: Total</b>	<b>98</b>			
<b>TOTAL UNITS AND BEDS</b>	<b>120</b>			

(1) Entrance Fees shown are for the Standard Plan.

(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 and Medicaid certified.

(4) Rates shown are daily rates.

Entrance Fees and Monthly Fees are reviewed each fiscal year. Monthly Fees have increased 3% to 4% each of the last five fiscal years. Entrance Fees have not increased each of the last five fiscal years.

8) Compliance

United Methodist Retirement Homes  
 Findings  
 Series 2005B, 2009A, 2010A, 2013A, 2014A/B, 2016A  
 FYE: September

Findings	Date to Be Filed	Date Received	Notes	Comments
2004A Final Rebate Calculation for period ending October 2014 - bonds paid off with issuance of	10/31/2014	7/24/2015	Note 2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
2005A Rebate Calculation for period ending February 2015	3/3/2015	7/27/2015	Note 2	Does not meet Section (A) but does meet Section (B) of the MCC Policy on Compliance by Borrowers
2005B Rebate Calculation	3/31/2015	3/3/2015	Note 2	Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances
2005A Final Rebate Calculation for period of February 2015 to May 2016 - bond paid off with issuance of	6/11/2016	7/29/2016	Note 3, Note 4	Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances
2005C Final Rebate Calculation for period of February 2015 to May 2016 - bonds paid off with issuance of	6/11/2016	7/29/2016	Note 3, Note 4	Does not meet Sections (A) or (B) of the MCC Policy on Compliance by Borrowers but exception may be considered per Section (C) based on 6 months of compliance if mitigating circumstances

**Notes:**

- Note 1: Does not meet Section (A) - Multiyear history of compliance, Section (B) - Minimum 12 month compliance requirement or Section (C) - Minimum 6 month compliance requirement w/mitigating circumstances per the MCC Policy on Compliance by Borrowers.
- Note 2: Does not meet Section (A) - Multiyear history of compliance - but, meets Section (B) of the MCC Policy on Compliance by Borrowers - MCC will not issue tax-exempt debt for a healthcare entity that has not been in compliance for at least 12 months prior to filing the application - entity has been in compliance for 12 months
- Note 3: Entity has not been in compliance for a minimum of 12 months, but may meet Section (C) of the MCC Policy on Compliance by Borrowers - Entity has been in compliance with the covenant for 6 months if mitigating circumstances warranting consideration by the Commission.
- Note 4: Rebate Calculations are required to be filed to the Commission with in 30 days of the computation date (period ending date) per the Loan Agreements. It should be noted Rebate Calculations are not a routine annual or quarterly document filing. They are only required to be filed to the Commission every five year in accordance with their respective Tax Certificate & Agreements or when the bonds have been refunded, in the case of the Series 2004A, and 2005 A&C Bonds that were refunded during FYE 2015 and FYE 2016.

9) **MCC Bond Sale Approval Policy Information**

**United Methodist Retirement Homes  
Series 2017 Bond Project Financing  
NC MCC Bond Sale Approval Policy**

	<b>Time of Preliminary Approval If Public Offering</b>	<b>Time of Preliminary Approval If Bank-Placement</b>
- Estimated Interest Rate	6.00%	4.00%
- All In True Interest Cost	6.25%	4.16%
- Maturity Schedule Interest	2017 - 2047	2017 - 2047
- Maturity Schedule Principal	2018 - 2047	2019 - 2047
- Estimated NPV Savings (\$)	\$0	\$0
- Estimated NPV Savings (%)	0.00%	0.00%

**VII. OLD BUSINESS**

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

Remarks were made on behalf of the Commission by Ms. Eileen Kugler.

1. Licensing of Ambulatory Surgical Facilities....Nadine Pfeiffer, Azzie Conley & Steven Lewis  
10A NCAC 13C **Exhibits C-C/3**  
Comments review, final report approval
2. Rulemaking.....Nadine Pfeiffer & Beverly Speroff  
10A NCAC 14A **Exhibits C/4-C/7**  
Section .0300 – Hearings: Transfers and Discharges  
Comments review, final report approval

**COMMISSION ACTION:** Motion was made to approve the initial category determination for these rules by Mr. Hauser, seconded by Mr. Lockamy, and unanimously approved.

**VIII. NEW BUSINESS**

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

1. Nursing Home Rules.....Nadine Pfeiffer & Beverly Speroff  
Amendment to Administrator Rule: 10A NCAC 13D .2201 **Exhibits D-D/2**

**COMMISSION ACTION:** Motion was made to approve the Nursing Home Rules by Dr. Devdutta Sangvai, seconded by Mr. Charles Hauser, and unanimously approved.

2. Hospital Construction Facilities Rules..... Nadine Pfeiffer & Steven Lewis  
Repeal of 29 rules per Session Law 2017-174, Senate Bill 42 (10A NCAC 13B)



**COMMISSION ACTION:** Motion was made to repeal the Hospital Construction Rules by Dr. Robert Schaaf, seconded by Ms. Eileen Kugler, and unanimously approved.

**IX. Refunding of Commission Bond Issues.....Kathy C. Larrison**

**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 3, 2017 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 3, 2017.

**X. ADJOURNMENT:**

There being no further business, a motion was made to adjourn the meeting by Mr. Hauser, seconded by Dr. Schaaf, and unanimously approved. The meeting was adjourned at 11:30 a.m.

  
S. Mark Payne, Secretary

October 2, 2017  
Date