

STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

**MEDICAL CARE COMMISSION QUARTERLY MEETING**

**DIVISION OF HEALTH SERVICE REGULATION  
701 BARBOUR DRIVE, RALEIGH NC 27603**

**August 13, 2010**

**9:00 A.M.**

**I. MEDICAL CARE COMMISSION PLANNING MEETING, AUGUST 12, 2010 – 3:00 p.m.**

<b>MEMBERS PRESENT</b>	<b>MEMBERS ABSENT</b>
Lucy H. Bode, Chairperson Joseph D. Crocker, Vice-Chairperson Gerald P. Cox George H.V. Cecil Charles T. Frock Mary L. Piepenbring Robert E. Schaaf, M.D. Henry A. Unger, M.D. George A. Binder, M.D. Carl K. Rust, MD Albert F. Lockamy, Jr. RPh Clifford B. Jones, Jr. DDS Eileen Kugler, RN, MSN, MPH, FNP	Margaret Weller-Stargell Elizabeth Kanof, M.D. James H. Leonard John A. Fagg, M.D.
<b><u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u></b>	
Drexdal Pratt, Director, DHSR Christopher B. Taylor, CPA, Assistant Secretary, MCC Steven Lewis, Chief, Construction Section, DHSR Diana Barbry, Administrative Assistant, MCC/DHSR Erin Glendening, Rules Coordinator, DHSR	

**COMMISSION ACTION**

The Medical Care Commission held its planning meeting on Thursday, August 12, 2010 to review the agenda for Friday, November 13, 2010. Mrs. Bode welcomed everybody to the meeting and asked the audience to introduce themselves and she then introduced Eileen Kugler as a new Commission member and Drexdal Pratt as the new Director of the Division of Health Service Regulation. Mrs. Bode also stated for the recording that Dr. Schaaf, Mr. Lockamy and Mr. Cox had been reappointed to the Medical Care Commission by the Governor to serve another term ending in June 2014. Erin Glendening, Rules Coordinator for Division of Health Service Regulation gave an overview of the rules being presented to the Commission for approval. The projects for Blue Ridge Health Care System, Galloway Ridge and Carol Woods were discussed with statements given by representatives of each project.

The agenda was referred without action to the Medical Care Commission meeting on August 13, 2010.

## **II. MEDICAL CARE COMMISSION QUARTERLY MEETING, August 13, 2010 – 9:00 a.m.**

<b>MEMBERS PRESENT</b>	<b>MEMBERS ABSENT</b>
Lucy H. Bode, Chairperson Joseph D. Crocker, Vice-Chairperson George A. Binder, M.D. George H. V. Cecil Gerald P. Cox Charles T. Frock Clifford B. Jones, Jr. DDS Albert F. Lockamy, Jr. RPh Mary L. Piepenbring Carl K. Rust, II, M.D. Robert E. Schaaf, M.D. Henry A. Unger, M.D. Eileen Kugler, RN, MSN, MPH, FNP James H. Leonard John A. Fagg, M.D. <b><u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u></b> Drexdal Pratt, Secretary, MCC; Director, DHSR Christopher B. Taylor, CPA, Assistant Secretary, MCC Steven Lewis, Chief, Construction Section, DHSR Diana Barbry, Administrative Assistant, MCC/DHSR Erin Glendening, Rules Coordinator, DHSR	Margaret Weller-Stargell Elizabeth Kanof, M.D.

### **III. CHAIRPERSON'S COMMENTS**

Ms. Bode welcomed everybody to the meeting and asked the audience to introduce themselves, she then questioned the members to see if anyone had a conflict of interest with anything coming before the Commission at the meeting and due to the ethics ruling stating that any commission member with \$10,000 or more invested in a particular bank would need to abstain from voting it was decided that the recusals would be done at the time each project was presented for a vote.

### **IV. APPROVAL OF MINUTES** from the February 12, 2010 meeting. (**attached as Exhibit A**).

**Commission Action:** Motion made by Mr. Cecil, seconded by Mr. Crocker and unanimously approved

### **V. DIVISION DIRECTOR'S REPORT**

Mr. Pratt reported on matters of interest to the Commission, he gave a brief overview of the plans for the Division of Health Service Regulation to move to several different buildings on the Dix campus by December 31, 2010.

Other items to report on were discussed by Chris Taylor and are listed below (**see Exhibits B – B/11**):

1. Quarterly Report on Bond Program (**attached as Exhibit B**)
2. Hospital Community Benefits Report (**attached as Exhibit B-1**)
3. CCRC Benefits Report (**attached as Exhibit B-2**)
4. Hospital Financial Information Report (**attached as Exhibit B-3**)
5. CCRC Financial Information Report (**attached as Exhibit B-4**).

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

**February 18, 2010** - To consider a Resolution approving the conversion of The United Methodist Retirement Homes Project, Series 2005B to a “Bank-Bought Rate” Mode, (2) Resolution approving the conversion of the Carolina Village Project, Series 2008C to an “Index Floating Rate” Mode and (3) Series Resolution Authorizing the issuance of \$322,750,000 North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (North Carolina Baptist Hospital), Series 2010. **(attached as Exhibit B/5)**

**March 4, 2010** - To authorize the sale of bonds, the proceeds of which are to be loaned to Catholic Health East. **(attached as Exhibit B/6)**

**April 18, 2010** - To authorize amendments to the Commission’s Health Care Facilities Revenue Bonds (Carolina Village Inc. Project), Series 1998 necessary to permit such bonds to be additionally secured by a confirming letter of credit and authorizing the issuance of \$8,605,000 North Carolina Medical Care Commission Retirement Facilities Revenue Bonds for Aldersgate. **(attached as Exhibit B/7)**

**April 22, 2010** - To authorize the sale of bonds, the proceeds of which are to be loaned to Duke University Health System, Inc. and to discuss a request from CaroMont Health to use a law firm that does not have a North Carolina law practice for bond counsel. **(attached as Exhibit B/8)**

**May 12, 2010** - To consider for discussion and approval bids that were taken from three law firms to serve as bond counsel to refund or convert all or part of the Series 2008 Bonds for CaroMont Health. To consider a resolution to initiate the rulemaking process for the adoption of Office of Emergency Services’ Rules and a resolution to initiate the rulemaking process for the adoption of 10A NCAC 13B.3302 Minimum Provisions of Patient’s Bill Rights. **(attached as Exhibit B/9)**

**May 14, 2010** - To consider Office of Emergency Medical Services’ Rules for medical ambulance/evacuation buses. **(attached as Exhibit B/10)**

**June 3, 2010** - To authorize the sale of bonds, the proceeds of which are to be loaned to Arbor Acres United Methodist Retirement Community, Inc. and to consider preliminary approval for a project for CaroMont Health to provide for the conversion of the Series 2008 Bonds from a variable rate mode to a fixed rate mode. **(attached as Exhibit B/11)**

**VI. Presentation – Novant Health Quality & Safety Initiatives....Paul Wiles, CEO, Tom Zweng, MD & Diana Best  
Novant Health**

**VII. Old Business:**

EMS Rules.....**Exhibit J**  
Erin Glendening

**Commission Action:** Motion made by Mr. Binder, seconded by Mr. Crocker and was approved with the recusal of Mrs. Kugler.

Hospital Rules.....**Exhibit K**  
Erin Glendening

**Commission Action:** Motion made by Mr. Cecil, seconded by Mr. Lockamy and unanimously approved

**VIII. New Business:**

**A.) Resolution to Designate the Secretary to the Medical Care Commission** - Christopher B. Taylor

**WHEREAS**, the Department of Health and Human Resources Directive Number 12, the title of which is “Delegation of Authority to Director, Division of Health Service Regulation,” paragraph 11 states “The Director, Division of Health Service Regulation, may serve as Secretary of the Medical Care Commission at its discretion,” and

**WHEREAS**, the Commission desires to have the Director, Division of Health Service Regulation serve as its Secretary, and

**WHEREAS**, Drexdal Pratt has been named Director of the Division of Health Service Regulation,

**NOW, THEREFORE, THE NORTH CAROLINA MEDICAL CARE COMMISSION HEREBY DESIGNATES**  
Drexdal Pratt as Secretary of the Medical Care Commission.

**EFFECTIVE**, as of this day August 13, 2010.

**Commission Action:** Motion made by Mr. Crocker, seconded by Dr. Jones and unanimously approved

**B.) Resolution of Designation for Steven Lewis**..... Christopher B. Taylor

**WHEREAS**, Steven Lewis has succeeded William L. Warren as the Chief of the Construction Section of The Division of Health Service Regulation and;

**WHEREAS**, the Chief of the Construction Section serves as a designated representative of the North Carolina Medical Care Commission for Construction matters related to projects financed through the Commission’s tax exempt bond program;

**THEREFORE**, The Commission does hereby designate Steven Lewis as a Commission Representative on outstanding bond issues involving Construction issues;

**EFFECTIVE**, as of this day August 13, 2010.

**Commission Action:** Motion made by Mr. Cox, seconded by Dr. Rust and unanimously approved

**C.) Resolution of Appreciation for Jeff Horton**.....Lucy Bode / Christopher B. Taylor

**Commission Action:** Motion made by Mr. Cox, seconded by Dr. Rust and unanimously approved

**D.) EMS Rules**.....**Exhibit L**  
Erin Glendening

**Commission Action:** Motion made by Dr. Unger, seconded by Mr. Binder and unanimously approved.

**VII. BOND PROJECTS**

**1. Novant Health, Inc. – Winston-Salem-** Christopher Taylor & Steven Lewis (**attached as Exhibits C & M**)

Statements were given by Tom Zweng and Fred Hargett of Novant Health, Inc.

**Commission Action:** Motion made by Mr. Crocker, seconded by Dr. Frock and approved with the recusals of Lucy Bode, Dr. Shaaf, Dr. Rust, Mr. Leonard, Mr. Cecil and Mr. Binder.

**Resolved:** The Commission grants preliminary approval to Novant Health, Inc. for a project to construct equip and furnish: (A) a new 221,786 square foot, 50-bed hospital for a project in Kernersville, (B) a new 252,370 square foot, 74-bed hospital in Brunswick County, and (C) a 4-floor, 110,506 square foot vertical expansion to “F” Wing at Presbyterian Hospital in Charlotte, all in accordance with a preliminary application, plans and specifications and participation as follows:

<b>ESTIMATED SOURCES OF FUNDS</b>		
Principal amount of bonds to be issued		<u>\$260,000,000</u>
<b>Total</b>		<b>\$260,000,000</b>
<b>ESTIMATED USES OF FUNDS</b>		
Site costs		
Land acquisition		\$2,738,000
Kernersville	\$1,048,000	
Brunswick	1,690,000	
Site utility development and accessibility costs		8,348,000
Kernersville	2,337,000	
Brunswick	5,372,000	

Presbyterian	639,000	
Construction contracts		177,069,000
Kernersville	61,443,000	
Brunswick	72,475,000	
Presbyterian	43,151,000	
Construction contingency		1,770,000
Architect/engineer fees and reimbursables		10,890,000
Moveable equipment		51,026,000
Kernersville	25,117,000	
Brunswick	17,349,000	
Presbyterian	8,560,000	
Surveys, tests, insurance		5,359,000
Underwriters' discount (a) \$8.23 per \$1,000 bonds)		2,015,000
Accountants fees		90,000
Bond counsel		135,000
Rating agencies		335,000
Trustee fees		15,000
Printing costs		10,000
Underwriter Counsel (a)		125,000
Miscellaneous Expenses		71,500
Local Government Commission Fee		<u>3,500</u>
<b>Total</b>		<b>\$260,000,000</b>

Tentative approval is given with the understanding that the governing board of Novant Health, 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. 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 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.

Based on information furnished by applicant, the project is -

- |  |                                     |     |                          |    |                          |     |
|--|-------------------------------------|-----|--------------------------|----|--------------------------|-----|
| 1. Financially feasible                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |
| 2. Construction and related costs are reasonable | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |

2. **Rex Hospital, Inc. d/b/a Rex Healthcare**, - Christopher Taylor & Steven Lewis (attached as Exhibit D & M)

Statements were given by Bernadette Spong, CFO of Rex Hospital

**Commission Action:** Motion made by Mr. Lockamy, seconded by Mr. Binder and approved with the recusals of Dr. Shaaf, Dr. Rust, Mr. Cecil, Dr. Unger, Lucy Bode, Mr. Cox, Dr. Fagg and Mr. Leonard.

**Resolved:** The Commission grants preliminary approval to a project for Rex Hospital, Inc. to include (A) construction of a new Central Energy Plant to replace, upgrade, and relocate existing facilities; (B) routine capital expenditures of \$50,000,000 during fiscal years 2010 and 2011 for routine expenses including replacement of beds, three linear accelerators, and two catheterization labs; and (C) refinancing of the \$121,215,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Rex Healthcare) Series 1998 outstanding bonds in the amount of \$74,415,000 plus costs associated with the issuance of the Series 2010 Bonds 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	\$167,710,000
Other : original issue discount	<u>903,145</u>
<b>Total</b>	<b>\$168,613,145</b>

**ESTIMATED USES OF FUNDS**

Site costs		\$1,015,108
Land acquisition	\$ 67,500	
Site utility development and accessibility costs	160,000	
Site construction	787,608	
Construction contracts		12,866,867
Construction contingency		777,600
Architect/engineer fees and reimbursables		2,685,493
Fees	2,557,612	
Reimbursables	127,881	
Moveable equipment		30,000
Fixed equipment		8,400,000
Surveys, tests, insurance		394,000
Materials testing		20,000
Consultants' fees related to construction		419,461
Facility service consultant	20,000	
Environmental consultant	10,000	
Concept planning services	352,461	
Third party auditor	37,000	
Amount required to refund Series 1998 Bonds		75,841,167
Routine capital expenditures		50,000,000
Bond interest during construction		1,300,250
Debt service reserve fund		12,710,111
Underwriters' discount/placement fee (\$8.00 per \$1,000 Bonds)		1,341,680
Feasibility fees		75,000
Accountants fees		55,000
Legal fees for corporation counsel		45,000
Bond counsel		115,000
Rating agencies		227,500

Trustee fees	10,000
Printing costs	10,000
Local Government Commission Fee	3,500
Financial advisor	155,100
Miscellaneous	115,308
<b>Total</b>	<b>\$168,613,145</b>

Tentative approval is given with the understanding that the governing board of Rex Hospital, 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 or conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance or conversion 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 or conversion of bonds on 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. 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 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.

Based on information furnished by applicant, the project is:

- |  |                                     |     |                          |    |                          |     |
|--|-------------------------------------|-----|--------------------------|----|--------------------------|-----|
| 1. Financially feasible                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |
| 2. Construction and related costs are reasonable | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |

3. **Blue Ridge HealthCare System, Inc., Morganton** - Christopher B. Taylor (**attached as Exhibit E & M**)

**Commission Action:** Motion made by Mr. Cecil, seconded by Dr. Binder and approved with the recusals of Dr. Rust and Lucy Bode.

**Resolved:** The Commission grants preliminary approval to a project for Blue Ridge Healthcare System, Inc. to provide funds, to be used to currently refund the outstanding North Carolina Medical Care Commission Series 2005B Blue Ridge Healthcare System Variable Rate Demand Bonds and the outstanding North Carolina Medical Care Commission, Series 1996 Grace Hospital Fixed Rate Bonds. The refundings are resulting in a combination of savings and elimination of variable rate risk. The project is in accordance with an application received as follows:

## ESTIMATED SOURCES OF FUNDS

Par Amount of Bonds to be Issued	\$56,550,000
Net Premium/OID	<u>147,325</u>
<b>Total Sources</b>	<b>\$56,697,325</b>

## ESTIMATED USES OF FUNDS

Refunding Escrow for Series 2005B Bonds	\$38,775,479
Refunding Escrow for Series 1996 Bonds	12,005,496
Debt Service Reserve Fund	5,034,843
Underwriters Discount and Counsel (\$50,000) (\$9.79 per \$1,000 Bonds)	553,507
Feasibility	10,000
Accountants Fee	30,000
Corporation Counsel	75,000
Bond Counsel	100,000
Rating Agencies	100,000
Trustee Fees	7,500
Printing	2,000
Local Government Commission Fee	<u>3,500</u>
<b>Total</b>	<b>\$56,697,325</b>

Tentative approval is given with the understanding that the governing board of Blue Ridge Healthcare 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 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. 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 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.

Based on information furnished by applicant, the project is -



- |  |                                     |     |                          |    |                                     |     |
|--|-------------------------------------|-----|--------------------------|----|-------------------------------------|-----|
| 1. Financially feasible                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/>            | N/A |
| 2. Construction and related costs are reasonable | <input type="checkbox"/>            | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> | N/A |

4. **Ashe Memorial Hospital, Jefferson** - Christopher B. Taylor and Steven C. Lewis (attached as Exhibit F & M)

Statements were given by RD Williams, Ashe Memorial Hospital

**Commission Action:** Motion made by Mr. Frock, seconded by Mr. Cox and unanimously approved

**Resolved:** The Commission grants preliminary approval to Ashe Memorial Hospital for a project to generate operational savings by implementing energy conservation measures at the Main Hospital and at the Mountain Hearts Center for Prevention and Wellness. Scope of work includes replacement of the old boiler and air handler units with new energy efficient units, fuel switching and updating of HVAC control and monitoring system all in accordance with a preliminary application, plans and specifications and participation as follows: The financing will be a capital lease and accordingly reflected as debt on the Hospital's books.

**ESTIMATED SOURCES OF FUNDS**

Principal amount of capital lease	<u>\$1,347,339</u>
<b>Total</b>	<b>\$1,347,339</b>

**ESTIMATED USES OF FUNDS**

Fixed equipment, See exhibit A for description of scope of work	\$1,204,739
Capitalized interest	42,100
Underwriters' discount/placement fee	45,000
Legal fees for Owner Counsel	15,000
Bond counsel	35,000
Trustee fees	500
Miscellaneous	1,500
Local Government Commission fee	<u>3,500</u>
<b>Total</b>	<b>\$1,347,339</b>

Tentative approval is given with the understanding that the governing board of Ashe Memorial Hospital 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 funding of the leases.
3. Financial feasibility must be determined prior to the issuance of the debt.
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 debt for this project and may approve the issuance of such greater principal amount of the debt 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 debt or notes shall be financed 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 debt 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.

Based on information furnished by applicant, the project is:

1. Financially feasible
 

<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A
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2. Construction and related costs are reasonable
 

<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A
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EXHIBIT A

Scope of Work at Main Hospital

Replace AHU #2 w/ Temp Cooling  
 AHU-1 Conversion to VAV  
 MUA Unit Variable Frequency Drive  
 H&V Unit Controls  
 Lighting Upgrade Main Hospital  
 Replace (1) Boiler and convert to NG  
 Control System Upgrade  
 Install Water Meters for Tower and Boiler  
 Retro-Commission of HVAC System  
 Replace RTU's  
 Install Unit for Pharmacy  
 AHU-1B Controls  
 Install Gas Piping to Kitchen  
 Replace Dishwasher in kitchen  
 Building Envelope  
 Water Conservation

Scope of Work at Mountain Hearts Center

Lighting Upgrade  
 Economizer and Controls Exercise RM Unit  
 Building Envelope  
 High eff. NG heaters for pool/spa  
 Thermal Solar for Pool  
 Install NG Line for Pool Heater and Gen  
 Water Conservation

5. **Galloway Ridge, Pittsboro**, - Christopher B. Taylor and Steven Lewis (attached as Exhibit G & M)

Statements were given by Jason Cronk, Vickie Barrington of Galloway Ridge

**Commission Action:** Motion made by Dr. Rust, seconded by Mr. Lockamy and approved with the recusals of Dr. Fagg and Mr. Cox.

**Resolved:** The Commission rescinds its preliminary approval dated November 13, 2009 and grants preliminary approval to a project for Galloway Ridge, Inc. to provide funds, to be used with other available funds, to refinance existing Bank of Scotland Fixed Rate Note and Bank of Scotland Floating Rate Note for existing facilities; and to finance the expansion of it's Continuing Care Retirement Community located in Pittsboro to include (A) an addition to the existing health care building for 14 new multi-unit housing with services beds, 24 new skilled-nursing beds, and 15 memory-impaired adult-care beds; (B) a renovation of the existing health-care building for 14 new adult-care beds; (C) one new villa; (D) an expansion of the existing commons-building auditorium; (E) an expansion of the commons building; (F) a new maintenance building; (G) a renovated fitness center; (H) 66 new independent-living apartments; (I) a carport addition; and (J) site development Phase II 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 (Fixed and adjustable rate)	\$69,500,000
Bank Qualified Bonds	33,000,000
Cash and negotiable securities from reserves	346,000
Interest earned during construction	<u>376,102</u>
<b>Total</b>	<b>\$103,222,102</b>

#### **ESTIMATED USES OF FUNDS**

Land Acquisition		\$450,000
Construction contracts		34,000,000
(A) Health Care Addition	\$9,780,000	
(B) Existing Health Care Renovations	635,000	
(C) New Cottage	320,000	
(D) Auditorium Expansion	2,995,000	
(E) Commons Building Expansion	2,645,000	
(F) New Maintenance Building	500,000	
(G) Duke Center (Renovated fitness center & expanded outpatient therapy space)	1,620,000	
(H) New Independent Living Facility	11,355,000	
(I) Carport Addition	300,000	
(J) Site Development Phase II	3,850,000	
Construction contingency		1,700,000
Architect/engineer fees and reimbursables		3,066,000
(A) Architect	2,176,000	
(B) Master Planning	80,000	
(C) Civil Engineer (7% Site Costs)	225,000	
(D) Landscape Architect	110,000	
(E) Other Consultants (AV, Acoustical, Dining, Etc.)	100,000	
(F) Low Voltage Consultant	50,000	
(G) Reimbursable Expenses	75,000	
(H) Printing	150,000	
(I) Additional Services	100,000	
Moveable equipment		1,945,000
Surveys, tests, insurance		227,000
Consultants' fees related to construction		720,000
(A) Owners representative	385,000	
(B) Reimbursable travel	75,000	
(C) Plan & Review Fees	15,000	
(D) Preconstruction services	125,000	
(E) Bank construction review	120,000	
Other project costs		5,884,000
(A) Development costs - CRSA	1,600,000	

(B) Unit density costs	1,320,000	
(C) Marketing costs	1,575,000	
(D) Unit tap fees	889,000	
(E) Accounting fees	90,000	
(F) Certificate of Need fees	35,000	
(G) Consulting fees for marketing & financial plan.	125,000	
(H) Exterior sign package	50,000	
(I) Local fees and permits	50,000	
(J) Counsel fees (during const. & opening)	125,000	
(K) Appraisal	25,000	
Refinancing		42,650,000
(A) Bank of Scotland Fixed Rate Note	23,500,000	
(B) Bank of Scotland Floating Rate Note	19,150,000	
Bond interest during construction		4,384,879
Debt service reserve fund		5,580,950
Underwriters' discount/placement fee (\$16.22 per \$1000 of bonds)		1,662,500
Feasibility fees		125,000
Accountants fees		25,000
Legal fees for Corporation Counsel		125,000
Bond counsel		127,500
Trustee fees		10,000
Printing costs		15,000
Local Government Commission reimbursables		3,500
Other		520,773
(A) Bank commitment fee	412,500	
(B) Bank Counsel	50,000	
(C) Miscellaneous	23,273	
(D) Mortgage related fees	35,000	
<b>Total</b>		<b>\$103,222,102</b>

Tentative approval is given with the understanding that the governing board of Galloway Ridge, 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.

Based on information furnished by applicant, the project is -

- |  |                                     |     |                          |    |                          |     |
|--|-------------------------------------|-----|--------------------------|----|--------------------------|-----|
| 1. Financially feasible                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |
| 2. Construction and related costs are reasonable | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |

**6. Carol Woods Retirement Community, Chapel Hill, NC - Christopher Taylor & Steven Lewis (attached as Exhibit H& M)**

**Commission Action:** Motion made by Dr. Unger, seconded by Dr. Binder and approved with the recusals of Mr. Cox and Dr. Fagg.

**Resolved:** The Commission grants preliminary approval to a project for obtaining a Bank Qualified Loan to refund the outstanding balance of the \$33,030,000 North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project) Series 2001 Bonds in the amount of \$27,315,000 dollars and to fund capital expenditures for Expansion of Central Apartments Upon Turnover, Refurbish of the Original Building, Replace Campus Wide Emergency Call System, make improvements in the Health Care Fire Alarm System and to fund maintenance items throughout the campus that would not required code review 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	\$30,000,000
Debt Service Reserve fund	<u>2,350,000</u>
<b>Total</b>	<b>\$32,350,000</b>

**ESTIMATED USES OF FUNDS**

Construction contracts		\$4,710,000
Expansion Central apartments Upon Turnover	\$1,080,000	
Refurbish of Original Buildings	1,074,620	
Replace Campus Wide Emergency Call system	358,371	
Improvements to Health Care Fire Alarm	99,500	
Replace Dectron HVAC Unit in aquatic Center	90,000	
Maintenance Items not requiring Review (Appendix A)	2,007,509	
Escrow amount to refund Series 2001 Bonds		27,315,000
Underwriters' discount/placement fee (\$1.67 per \$1,000 bonds)		50,000
Accountants fees		20,000
Legal fees for Hospital counsel		30,000
Bond counsel		55,000
Trustee fees		10,000
Local Government Commission fee		3,500
Bank Commitment fees		90,000
Bank Counsel		45,000
Miscellaneous		<u>21,500</u>
<b>Total</b>		<b>\$32,350,000</b>

Tentative approval is given with the understanding that the governing board of Carol Woods Retirement Community 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.

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 |

#### Appendix A

#### Routine Capital That Does Not Require DHSR Regulatory Review

Master Plan Town approval & Design	\$692,000
Enhancements to Electronic Health Record and IT	193,000
Replace Bldg 4 EPDM Flat Roof	150,000
Repave Harkness Circle	140,000
Replace Carpet, Table and Chairs in Main Dining room	105,700
Replace Carpet in Walkway between Bldg 1/DH & DH/SH	9,000
Replace Table and chairs & other furnishings in Health Center	105,600
Replace Hospital Beds in Health Center`	86,400
Replace 100-lb Commercial Washing Machines	48,000
Replace thru-Wall HVAC units in Bldg 4/5 Corridor	46,000
Drill Additional Irrigation Wells	24,000
Upgrade Sidewalk and Drainage, Cottages 159-165	21,500
Upgrade Exterior Campus Mushroom Lighting	46,800
Replace Cabinets upon ILU Turnover	191,509
Replace Water Heaters as Needed	48,000
Replace Water source Heat Pumps (WSHP’s) as needed	<u>100,000</u>

**Total**

**\$ 2,007,509**

**7. Masonic & Eastern Star Home of NC d/b/a WhiteStone - Greensboro, Christopher Taylor & Steven Lewis (attached as Exhibit I& M)**

Statements were given by Joe Mulligan of Cain Brothers and Mark Kolada of WhiteStone.

**Commission Action:** Motion made by Mr. Crocker, seconded by Dr. Jones and unanimously approved

**Resolved:** The Commission grants preliminary approval to a project for the Masonic and Eastern Star Home of North Carolina Incorporated d/b/a WhiteStone to provide funds to finance ongoing renovations and an expansion of its Continuing Care Retirement Community to include: Phase 1A renovation of an existing house to be used as the marketing office. Phase 1B.1 construction of 6 units, two houses and two duplexes on existing lots, convert an existing multipurpose room into a fitness center and refurbish the corridors in the existing apartment building. Phase 1B.2 renovation of the communities' club house housing administration and common areas. Phase 1C renovation of the central dining building and central kitchen, addition of a fellowship hall, bistro, and an arts and crafts room. Additionally phase 1C will replace an existing dorm style apartment wing with 46 new apartments on an existing 48 acre site that is owned outright, all in accordance with a preliminary application, plans and specifications and participation as follows: The project will either be funded by a Bank Qualified Bond or a non-rated, fixed rate bond issue.

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$34,680,000
Interest earned during construction	<u>214,462</u>
<b>Total</b>	<b>\$34,894,462</b>

**ESTIMATED USES OF FUNDS**

Site costs	
Site utility development and accessibility costs	\$2,360,490
Construction contracts	16,780,761
(1B.1) Cottages-6 unit addition	\$1,193,276
(1B.1) Wellness Center renovation	75,752
(1B.1) Apartment corridor renovations	270,000
(1B.2) Clubhouse renovation	1,912,400
(1C) Central Dining and Kitchen renovation	904,522
(1C) Fellowship Hall, Bistro & Arts & Crafts Add.	1,228,838
(1C) New 46 Unit Apartment Building	11,195,973
Pre Construction Services	135,000
Construction contingency	515,000
Architect/engineer fees and reimbursables	1,283,897
Capital Items (AV, TV, Fitness equipment etc.)	155,000
Moveable equipment	955,901
Surveys, tests, insurance	22,000
Consultants' fees related to construction	
(A) Development Fee (project, construction & design management)	1,861,189
(B) Third party inspections (roofing waterproofing)	65,000
Marketing costs	
(A) Occupancy development (marketing)	2,754,840
(A) Travel (marketing and development support)	108,000
(B) Marketing research consultants & legal	107,000
(C) Filing and impact fees (State and City)	79,000
(D) Office, communications, and utility connections	68,500
Other refinancing (foundation interest)	500,000
Bond interest during construction	3,876,094
Debt service reserve fund	2,404,165
Underwriters' discount/placement fee (\$14.56 per 1,000 Bonds)	510,336

Feasibility fees	115,000
Accountants fees	45,000
Legal fees for Corporation Counsel	25,000
Bond counsel	70,000
Trustee fees	7,500
Printing costs	5,000
Local Government Commission fee	3,500
Other	
(A) Auditor	10,000
(B) Miscellaneous	5,000
(C) Phase 1 environmental	3,500
(D) Appraisal	15,000
(E) Title Insurance	40,000
(F) Miscellaneous	<u>7,789</u>
<b>Total</b>	<b>\$34,894,462</b>

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

Based on information furnished by applicant, the project is -

- |  |                                     |     |                          |    |                          |     |
|--|-------------------------------------|-----|--------------------------|----|--------------------------|-----|
| 1. Financially feasible                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |
| 2. Construction and related costs are reasonable | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |

**VIII. Refunding of Commission Bond Issues**

**Recommended:**.....**Chris Taylor**

**Commission Action:** Motion made by Mr. Cecil, seconded by Mr. Lockamy and unanimously approved



**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 19, 2010

**THEREFORE, BE IT RESOLVED**; that the Commission authorizes its Executive Committee to approve projects involving only the refunding of existing Commission debt between this date and November 19, 2010.

**IX. MEMBER REPORT**

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

**XI. ADJOURNMENT** - A motion to adjourn is requested.

**Commission Action**: Motion made by Mr. Cecil, seconded by Mr. Cox and unanimously approved.

**THE MEETING ADJOURNED AROUND 12:55 A.M.**

**Drexdal Pratt**  
**Secretary**

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**Date**