

I. Continuing Care Retirement Communities

Aldersgate United Methodist Retirement Community, Inc. had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2009	\$29,995,000	\$0
2010	\$8,605,000	\$0
2013	\$38,025,000	\$38,025,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the Audited Financial Statements, Officer's Certificate of Compliance and Auditor's Certificate of Compliance required per Section 5.04(a) of the 2013 Loan Agreement was not timely filed with the Commission and the December 2013 Quarterly Financial Report required per Section 5.10 of the 2013 Loan Agreement was not timely posted to EMMA.

The following information required per Section 5.04 of the 2013 Loan Agreement was not filed with the Commission until requested: 1) Quarterly Financial Report for all four quarters, 2) Disclosure Statement, 3) Comparison of the Audit to Forecast, 4) Schedule K of Form 990, 5) Occupancy Statistics for the quarters ending September and December 2013, 6) Operating & Capital Budget, and 7) Schedule of Rates & Charges for the quarter ending December 2013.

The following information required per the Loan Agreement was not prepared and was not filed with the Commission until the CFO was notified by the Commission's auditor of the need to prepare and file: 1) Historical Payor Mix contained in Appendix A of the 2013 Official Statement required to be filed with the December 2013 Quarterly Financial Report per Section 5.04, 2) 2009 and 2010 Series Project Completion Letter required per Section 4.06, 3) outstanding principal balance for the 2009 & 2010 Series bonds as of June 30, 2013 required per Section 5.04, 4) 2013 Series Compliance Checklist per Section 5.04(b), and 5) Retirement Industry Consultant report per Section 5.12.

The Long Term Debt Service Coverage Ratio and Available Reserve Ratio for the quarter ended December 2013, required per Section 5.04 of the Loan Agreement, was not filed with the Commission. Instead, the information was located on EMMA once the information was filed with EMMA to satisfy the filing requirement per Section 5.10 of the 2013 Loan Agreement.

Finally, the following information was not posted to EMMA as required per the 2013 Loan Agreement until the CFO and CEO were notified by the Commission's auditor of the need to file: 1) Management Narrative, Schedule of Rates & Charges, Occupancy Statistics, Financial Ratio's (Long Term Debt Service Coverage Ratio, Day's Cash on Hand and the Reserve Ratio) and the Historical Payor Mix from Appendix A of the 2013 Official Statement for the December 2013 quarter required per Section 5.10, 2) the annual information required per Section 5.10(b) located in the following tables of the 2013 Official Statement - Appendix A: Facility – Historical Occupancy, Residency

Agreements – Annual Rate Increases, Financial Information – Gross Revenue by Level of Care, Percentages of Gross Revenues by Level of Care, Historical Payor Mix, Summary of Cash Position and Summary of Statement of Operations, and 3) the Annual Long Term Debt Service Coverage Ratio, Days Cash on Hand and Available Reserve Ratio required per Section 5.10(c).

Arbor Acres United Methodist Retirement Community, Inc. had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2007	\$17,765,000	\$17,010,000
2010	\$28,875,000	\$28,000,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the Fee Structure required per Section 5.10(b) and the Long Term Debt Service Coverage Ratio, Days Cash on Hand and Available Reserve Ratio required per Section 5.10(c) of the Loan Agreement were not provided to EMMA until the CFO was notified of the requirement to file by the Commission’s auditor. The CFO has since complied with the requirement by filing the necessary information to EMMA along with the non-filing notice. In addition, it was noted the outstanding principal balance as of June 30, 2013 required per Section 5.04 of the 2007 and 2010 Series Bonds was not timely filed with the Commission and the Monthly Project Fund Status Reports required per Section 5.04 of the 2010 Loan Agreement were filed with the Trustee at the time requisitions were submitted to the Trustee for reimbursement, however, they were not filed with the Commission until requested by the Commission’s auditor.

Baptist Retirement Homes of NC, Inc. As of September 30, 2013, the Series 2001 Bonds had an outstanding principal balance of \$0 with an original amount authorized of \$54,285,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.04 of the Loan Agreement was not timely filed with the Commission and did not have to be requested by the Commission’s auditor to be filed: 1) Operating and Capital Budget and 2) Quarterly Financial Report for the first quarter 2013.

The bonds were refunded in February 2013 with taxable debt.

Carolina Adventist Retirement Systems, Inc. As of September 30, 2013, the Series 2012 Bonds had an outstanding principal balance of \$13,045,000 with an original amount authorized of \$13,045,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per the Loan Agreement was not timely filed with the Commission and did not have to be requested by the Commission’s auditor to be filed: 1) Disclosure Statement per Section 5.04(d), and 2) Schedule K of Form 990 per Section 5.04(m).

Carolina Meadows, Inc. As of December 31, 2013, the Series 2004 Bonds had an outstanding principal balance of \$16,250,000 with an original amount authorized of \$21,110,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the December 31, 2013 Quarterly Financial Report required per Section 4.07(d) and Schedule K of Form 990 required per Section 4.07(j) of the 2004 Loan Agreement was not filed with the Commission until Carolina Meadows was informed of the non-filing by the Commission’s auditor.

Carolina Village, Inc had the following outstanding bond series as of March 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1998	\$7,700,000	\$0
2008A	\$19,575,000	\$18,770,000
2008C	\$15,000,000	\$0
2013A	\$18,745,000	\$18,745,000

Upon completion of the fiscal year end 2013 compliance examination, there were no findings to be reported.

Carol Woods Retirement Community, Inc. d/b/a Chapel Hill Residential Retirement Center, Inc. had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2010	\$30,000,000	\$27,490,000
2012	\$22,000,000	\$16,737,801

Upon completion of the fiscal year end 2013 compliance examination, it was noted the monthly Project Fund Status Reports required per Section 5.04 of the 2012 Loan Agreement were not filed with the Commission until requested by the Commission’s auditor.

Catholic Health East had the following outstanding bond series as of June 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2008	\$30,475,000	\$25,275,000
2010	\$15,360,000	\$11,795,000
2012	\$17,110,000	\$17,110,000

During fiscal year end 2013, Catholic Health East merged with Trinity Health Care and due to the merger their fiscal year end changed from December to June. Due to this change, Catholic Health East did not complete a 6 month audited financial statement but instead completed an 18 month audited financial statement filed with the Commission covering the period of January 1, 2013 to June 30, 2014. Due to this change, a short period compliance examination will not be completed, but instead, a full compliance

examination will be completed and reported to the Commission covering the period of January 1, 2013 to June 30, 2014.

Cypress Glen Retirement Community had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2004A	\$15,410,000	\$9,575,000
2004C	\$12,960,000	\$0
2009A	\$6,585,000	\$6,105,000
2013A	\$8,370,000	\$8,370,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the Compliance Checklist required per Section 5.04 of the 2013A Loan Agreement was not completed and was not filed with the Commission until the CFO was notified of the need to file by the Commission's auditor.

The outstanding principal balance of the 2004A&C Bonds and the 2013A bonds as of June 30, 2013 was not timely filed to the LGC as required per Section 9.06 of the Trust Agreement. This is a covenant violation by the Trustee and not Cypress Glen Retirement Community.

The following information was not timely filed with EMMA as part of the Secondary Market Disclosure requirement per Section 5.10 of the Loan Agreement: 1) Cypress Glen Payor Mix, Unit & Fees, Occupancy & Waiting List, and Payor Mix for Crossdaile and Wesley Pines per Section 5.10(b), 2) Long Term Debt Service Coverage Ratio, Available Reserve Ratio and Days Cash on Hand as required per Section 5.10(c), and 3) Fiscal year end 2013 Cypress Glen and United Methodist Retirement combined statements due to Cypress Glen becoming a member of the Obligated Group with United Methodist Retirement Homes in April 2013 as required per Section 5.10(a). It should be noted the CFO filed the proper documentation listed above along with the event filing notice once the CFO became aware of the non-filing. The auditor for the Commission did not have to notify the CFO of the need to file the Secondary Market Disclosure Information listed above.

Deerfield Episcopal Retirement Community, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1997	\$73,780,000	\$50,000
2004A/B	\$42,505,000	\$28,610,000
2008A	\$47,945,000	\$47,630,000
2008B	\$50,035,000	\$30,035,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the 2004 A&B Rebate Calculation required per Section 5.04 of the 2004 A&B Loan Agreement and the 2008A Rebate Calculation required per Section 5.04(e)(v) & 5.14 of the 2008A Loan Agreement were not timely filed with the Commission. It should be noted the 2008A Rebate Calculation was not filed with the Commission until requested by the Commission's auditor.

The Forest at Duke, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1994	\$35,685,000	\$155,000
2003A	\$25,990,000	\$10,875,000
2007	\$28,200,000	\$24,835,000

Upon completion of the fiscal year end 2013 compliance examination, there were no findings to be reported.

Friends Home, Inc. As of September 30, 2013, the Series 2011 Bonds had an outstanding principal balance of \$35,525,000 with an original amount authorized of \$37,745,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.04 of the Loan Agreement was not filed with the Commission until requested by the Commission's auditor: 1) Disclosure Statement, and 2) Schedule K of Form 990.

Galloway Ridge, Inc. had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2010A	\$61,180,000	\$59,965,000
2010B	\$15,000,000	\$15,000,000
2010C	\$19,930,000	\$0

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per the Loan Agreement was not filed with the Commission until requested: 1) Final Rebate Calculation for the 2010C Bonds per Section 5.04(l), 2) Officer's Certificate setting forth an accounting of proceeds from the construction fund per Section 5.04(a)(iii), 3) Marketing Covenant ratios for all four quarters per Section 5.04(b)(ii), 4) Occupancy Targets for the fourth quarter per Section 5.04(b)(ii), 5) Disclosure Statement per Section 5.04(e), 6) Schedule K of Form 990 per Section 5.04(n), 7) Operating and Capital Budget per Section 5.04(f) and 8) Monthly Financial Report required to be filed per Section 5.04(c)(ii).

The following information was not filed with the Commission until requested: 1) Project Completion Letter required per Section 4.05 of the Trust Agreement and 4.06 of the Loan

Agreement, and 2) Opinion of Counsel Letter required per Section 4.06 of the Trust Agreement.

The following information was not timely filed to the Commission and did not have to be requested by the Commission's auditor to be filed: 1) Auditor's Certificate of Compliance required per Section 3.10(b) of the Master Trust Indenture and Section 5.04 of the Loan Agreement, and 2) the Quarterly Financial Reporting package for the first and second quarter required per Section 5.04(b) of the Loan Agreement.

The following information required per the Loan Agreement or Trust Agreement was not filed with the Commission: 1) Monthly Project Fund Status reports required per Section 5.04(q) of the Loan Agreement, 2) Project Budget required to be submitted with each requisition filed with the Trustee for reimbursement per Section 4.04 of the Trust Agreement, 3) Certificate signed by the architect for the project was not submitted to the Trustee with one of the requisitions tested for the 2010A/B Bond Series as required per Section 4.04(b) of the Trust Agreement, and 4) Unaudited Financial Statements to be filed with the monthly report as required per Section 5.04(c)(ii) of the Loan Agreement.

The following information was not properly disclosed to EMMA for fiscal year end 2013 as required per Section 5.04(b)(ii) of the Loan Agreement: 1) % of Project Independent Living Units Presold and Occupied, along with the % of Independent Living Units Occupied for the third quarter, and 2) % of Project Independent Living Units Presold and Occupied for the fourth quarter. Galloway Ridge remedied the covenant violation by filing the information to EMMA along with a failure to file notice.

The Marketing Covenant required per Section 3.16(a) of the Master Trust Indenture was not met for the first, second and third quarter of fiscal year end 2013. In addition, the Percentage of Project Independent Living Units (Occupancy Target) required per Section 3.16(c) of the Master Trust Indenture was not met for the third quarter and the Percentage of Existing Independent Living Units (Occupancy Target) required per Section 3.16(e) of the Master Trust Indenture were not met for the first and third quarter of fiscal year end 2013. In December 2012, Galloway Ridge retained a management consultant due to not meeting the marketing and occupancy covenants in fiscal year end 2012. The management consultant report completed in December 2012 and filed with the Commission covers the covenant violations in fiscal year end 2013, thereby bringing Galloway Ridge back into compliance for fiscal year end 2013 with the financial covenant calculations listed above.

Finally, the Operating Ratio was not met for the fourth quarter as required per Section 3.17 of the Master Trust Indenture. For the covenant violation Galloway Ridge was required to prepare a written report within 75 days of the covenant violation outlining the reasons for the failure and outlining steps being taken to improve the Operating Ratio for the following quarter. The report was to be signed by an Obligated Group Representative, adopted by the Board, and filed with the Master Trustee and the Commission. Galloway Ridge did not prepare a formal written report and file the report with the Master Trustee or Commission. Instead, Galloway Ridge notified their Board of

the covenant violation and in discussions with the Board, modified their budget for fiscal year end 2014. It should be noted the Operating Ratio was met the following quarter (first quarter in fiscal year end 2014).

The Givens Estates, Inc. had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2003A	\$63,385,000	\$0
2007	\$66,900,000	\$64,700,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.04 of the 2003A and 2007 Loan Agreements was not timely filed with the Commission until requested by the Commission’s auditor: 1) Operating and Capital Budget, and 2) Disclosure Statement that is also required to be filed with the NC Department of Insurance.

The September 2013 Quarterly Financial Report required per Section 5.04 of the Loan Agreements was not timely filed with the Commission and did not have to be requested to be filed.

The Givens Estates, Inc. is required per Section 5.04 of the 2007 Loan Agreement to file a schedule of rates and charges or provide a statement with each quarterly report that there was not a change in the rates and charges. Givens Estates files the annual rate information before the beginning of the fiscal year with the Operating and Capital Budget, however, Givens Estates did not provide a statement with each quarterly report stating the rates and charges had not changed as of that quarter. In addition, the quarterly occupancy report required per Section 5.04 of the Loan Agreement for the quarter ending September 2013 was not provided to the Commission.

Lutheran Retirement Ministries of Alamance County, North Carolina had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2009	\$29,630,000	\$29,630,000
2010	\$5,495,000	\$0

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.04 of the 2009 and 2010 Loan Agreement was not filed with the Commission until requested by the Commission’s auditor: 1) Disclosure Statement, 2) Comparison of the Audited Statement of Financial Position & Statement of Activities & Changes in Net Assets to the Forecasted Statement of Financial Position & Statement of Activities & Changes in Net Assets used to obtain financing for the 2009 and 2010 Bond Series, and 3) Insurance Consultant Report.

The Operating and Capital Budget required per Section 5.05 of the 2009 and 2010 Loan Agreements was not timely filed with the Commission and did not have to be requested by the Commission’s auditor to be filed.

In addition, the schedule of rates and charges were not provided for the quarters ended December 2012 and March 2013 and the abbreviated narrative was not provided for the quarter ended December 2012, as required per Section 5.04 of the Loan Agreements.

Lutheran Services for the Aging, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1998	\$23,625,000	\$15,675,000
2009	\$27,364,250	\$0
2010	\$8,300,000	\$0
2012A	\$44,790,000	\$44,570,000
2012B	\$26,254,401	\$13,098,014

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per the Loan Agreements was not timely filed with the Commission until requested by the Commission’s auditor: 1) Monthly Project Fund Status Reports required per Section 5.04(n) for the months of January 2013 to August 2013, and 2) Officer’s Certificate setting forth an accounting of proceeds from the 2012B Construction Fund for the year end as required per Section 5.04(a)(iii).

In addition, the information set forth in the tables of Appendix A of the Official Statement labeled Monthly Fees at Crescent View, Entrance & Monthly Fees at Trinity Oaks and Daily Fees for Nursing and Assisted Living, as required per Section 5.10(b) from the 2012 Loan Agreement, was not timely filed with EMMA. To remedy the covenant violation, Lutheran Services for the Aging, Inc. submitted a Notice of Failure to File Required Secondary Market Disclosure Information as required per Section 5.10(e) of the 2012 Loan Agreement.

It was noted the following information required per the 2012 A/B Loan Agreement was not filed with the Commission: 1) Management Discussion and Analysis required per Section 5.04(b)(i) for the quarter ending December 2012, and 2) Officer’s Certificate stating the Long Term Debt Service Coverage Ratio required per Section 5.04(c) for the quarters ending December 2012 and March 2012.

Lutheran Services for the Aging did not meet the Consolidated General Fund Balance covenant of at least \$45 million required per Section 5.01(r)(3) of the 1998 Amended and Restated Letter of Credit and Reimbursement Agreement and Section 5.01(r)(3) of the 2012B Guaranty and Credit Agreement for the first quarter ending December 2012. Lutheran Services for the Aging obtained a waiver from BB&T for the covenant violation bringing it back into compliance with the Letter of Credit & Reimbursement Agreement and the Guaranty and Credit Agreement.

Moravian Home, Inc (d/b/a Salemtowne) As of March 31, 2013, the Series 2006 Bonds had an outstanding principal balance of \$30,145,000 with an original amount authorized of \$35,225,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the Department of Insurance Disclosure Statement and the Officer’s Certificate of Compliance required per Section 5.04 of the Loan Agreement were not filed with Commission until requested by the Commission’s auditor.

Penick Village had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2004B	\$2,470,000	\$0
2010A	\$10,575,000	\$0
2010B	\$19,425,000	\$18,010,678

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was not timely filed with the Commission and did not have to be requested to be filed: 1) Audited Financial Statements required per Section 3.10(a) of the Master Trust Indenture and Section 5.04 of the Loan Agreement, 2) the Auditor’s Certificate of Compliance required per Section 3.10(b) of the Master Trust Indenture and Section 5.04 of the Loan Agreement, and 3) second and fourth quarter financial reports as required per Section 5.04 of the Loan Agreement.

The following information required per Section 5.04 of the 2010B Loan Agreement was not filed with the Commission until requested by the Commission’s auditor: 1) outstanding principal balance as of June 30, 2013, 2) Disclosure Statement, 3) monthly report setting forth the amount and date of each advance of the principal of the bonds, the interest accrued and the rate or rate of interest on the bonds for each month, 4) Comparison of the Audited Statement of Financial Position & Statement of Activities & Changes in Net Assets to the Forecasted Statement of Financial Position & Statement of Activities & Changes in Net Assets used to obtain bond financing, 5) Monthly Project Fund Status Report, 6) Operating and Capital Budget, and 7) report showing the entrance fees received for the prior month & entrance fees received to date.

It was noted the Available Reserve Ratio was not provided with the Officer’s Certificate of Compliance as required per Section 3.10(b) of the Master Trust Indenture. In addition, it was noted the following information required per Section 5.04 of the 2010B Loan Agreement was not filed with the Commission: 1) Occupancy Statistics, schedule of rates and charges or statement as to no change in rates and charges for all four quarters, 2) Long Term Debt Service Coverage Ratio, Days Cash on Hand and the Ratio of Available Reserves to Long Term Debt was not provided for the first quarter, and 3) the narrative of the Operating and Financial Environment was not provided for the second, third and fourth quarter.

It should be noted the monthly Project Fund Status Reports will not be required going forward as the project has been completed.

Pennybyrn at Maryfield had the following outstanding bond series as of 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2005A	\$67,315,000	\$63,795,000
2005B	\$3,000,000	\$3,000,000
2010	\$5,000,000	\$4,025,372

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was not filed with the Commission until requested by the Commission's auditor: 1) the Audited Financial Statements per Section 3.10(a) of the Master Trust Indenture and 5.04(a) of the Loan Agreement, 2) Auditor's Certificate of Compliance and Officer's Certificate of Compliance per Section 3.10(b) of the Master Trust Indenture and Section 5.04(a) of the Loan Agreement, 3) the Disclosure Statement per Section 5.04(b)(i) of the 2005 and 2010 Loan Agreements, 4) Long Term Debt Service Coverage Ratio calculation required for the quarter ending March 31, 2013 per Section 5.04(c)(iv) of the 2010 Loan Agreement, 5) Schedule K of Form 990 per Section 5.04(j) of the 2010 Loan Agreement, 6) Operating and Capital Budget per Section 5.04(g) of the 2005 Loan Agreement and Section 5.04(f) of the 2010 Loan Agreement, and 7) the Comparison of the Audited Statement of Financial Position, Statement of Activities & Changes in Net Assets to the Financial Forecast of Financial Position, Statement of Activities & Changes in Net Assets provided to the Commission for approval of the 2010 Bonds as required per Section 5.04(b)(ii) of the 2010 Loan Agreement.

The Audited Financial Statements required to be filed to EMMA as part of the Secondary Market Disclosure Requirement per Section 5.10(a) of the Loan Agreements were not timely filed. Pennybyrn at Maryfield also did not file the Supplemental Information in Appendix A of the Official Statement required to be filed to EMMA as part of the Secondary Market Disclosure Requirement per Section 5.10(b) of the Loan Agreements until notified by the Commission's auditor. Pennybyrn of Maryfield has since filed the required Supplemental Information to EMMA and with the assistance of bond counsel, has filed an Event Notice with EMMA stating they did not comply with Sections 5.10(a) and 5.10(b) of the Loan Agreements.

The Pines at Davidson, Inc. had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1994	\$17,090,000	\$100,000
2006	\$30,980,000	\$21,045,000
2013	\$14,645,000	\$14,645,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was not filed with the Commission until requested by the Commission's auditor: 1) Operating and Capital Budget per Section 4.05 of the 1994

Loan Agreement and 5.04 of the 2006 & 2013 Loan Agreements, 2) Schedule K of Form 990 per Section 5.04 of the 2013 Loan Agreement, 3) Monthly Project Fund Status Report for November 2013 per Section 5.04 of the 2013 Loan Agreement, 4) Comparison of the audit to forecast to obtain bond financing for the 2013 Bonds as required per Section 5.04 of the 2013 Loan Agreement, and 5) Officer's Certificate setting forth an accounting of proceeds of the bonds expended for the cost of the project & the purpose for which the funds were expended per Section 5.04 of the 2013 Loan Agreement.

The Presbyterian Homes, Inc. had the following outstanding bonds series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2005A	\$13,465,000	\$8,160,000
2006A	\$79,235,000	\$79,135,000
2006B	\$33,290,000	\$22,754,999
2010	\$14,375,000	\$12,311,076

Upon completion of the fiscal year end 2013 compliance examination, it was noted the outstanding principal balance of the bonds as of June 30, 2013 as required per Section 5.04(m) of the Loan Agreements was not timely filed with the Commission and did not have to be requested by the Commission's auditor to be filed. The Management Discussion and Analysis for the quarter ended September 2013, required per Section 5.04(c)(v) of the 2010 Loan Agreement, was not filed with the Commission.

The Presbyterian Home at Charlotte, Inc. As of December 31, 2013, the Series 2001 Bonds had an outstanding principal balance of \$9,540,000 with an original amount authorized of \$23,500,000. Upon completion of the fiscal year end 2013 compliance examination, there were no findings to be reported.

Southminster, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1996	\$5,055,000	\$5,055,000
2002	\$13,320,000	\$340,000
2007A/B	\$64,180,000	\$63,965,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the Disclosure Statement required per Section 5.4 of the 2002 Loan Agreement was not filed with the Commission until requested by the Commission's auditor. The occupancy covenant required per Section 3.22 of the Master Trust Indenture was not met for the quarter ended December 2012. Due to Southminster following the recommendations of the consultant report obtained in May 2012, Southminster was brought back into compliance with Section 3.22 of the Master Trust Indenture. In addition, Southminster provided an Officer's Certificate regarding the covenant violation and showed where

stable occupancy was obtained in December 2012, therefore, Section 3.22 of the Master Trust Indenture will no longer be required going forward.

Stanley Total Living Center, Inc. As of September 30, 2013, the Series 1998 Bonds had an outstanding principal balance of \$1,410,000 with an original amount authorized of \$4,210,000. Upon completion of the fiscal year end 2013 compliance examination, there were no findings to be reported.

United Church and Home Services had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2005A&B	\$18,755,000	\$12,670,000
2010	\$23,225,000	\$22,655,116

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.04 of the Loan Agreement was not filed with the Commission until requested by the Commission's auditor: 1) Opinion of Counsel Letter concerning financing and continuation statements, 2) Schedule K of Form 990, 3) Operating and Capital Budget, 4) Comparison of the Audited Statement of Operations and Changes in Net Assets to the Forecasted Statement of Operations and Changes in Net Assets, 5) outstanding principal balance of the 2010 Series Bonds as of June 30, 2013, and 6) quarterly Statement of Cash Flows for March 2013. The December 2012 and September 2013 Quarterly Financial Reports required per Section 5.04 of the Loan Agreements were not timely filed with the Commission and did not have to be requested by the Commission's auditor to be filed.

It was noted the following information required per Section 5.04 of the Loan Agreement was not filed with the Commission: 1) Occupancy Statistics, Days Cash on Hand and the Reserve Ratio for the quarters ended December 2012 and March 2012, and 2) Schedule of Rates and Charges and the Abbreviated Narrative of the Operating and Financial Position for all four quarters of fiscal year end 2013.

The United Methodist Retirement Homes, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2005A	\$20,790,000	\$19,985,000
2005B	\$24,250,000	\$11,570,000
2005C	\$47,835,000	\$43,190,000
2010	\$12,880,000	\$9,741,084

The following information was not timely filed with EMMA as part of the Secondary Market Disclosure requirement per Section 5.10 of the Loan Agreement: 1) combining information for Cypress Glen and UMRH based upon audited fiscal year end 2013

financial statements as required per Section 5.10(a), 2) Long Term Debt Service Coverage Ratio, Available Reserve Ratio and Days Cash on Hand as required per Section 5.10(c), and 3) certain operating data for Cypress Glen was not filed with the UMRH cusip numbers for the bonds issued on behalf of UMRH and Cypress Glen. It should be noted the late filing of information listed above to EMMA is a result of the Joinder Agreement whereby Cypress Glen became a member of the Obligated Group for UMRH. The information had been filed separately for each entity (Cypress Glen and UMRH) but had not been filed as a combined entity. It should also be noted the CFO filed the proper documentation listed above along with the event filing notice once the CFO became aware of the non-filing. The auditor for the Commission did not have to notify the CFO of the need to file the Secondary Market Disclosure information listed above.

The Village at Brookwood (Alamance Extended Care, Inc.) had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2001	\$32,560,000	\$0
2007	\$29,280,000	\$0

Upon completion of the fiscal year end 2013 compliance examination, it was noted the 2nd and 3rd quarter financial report was not timely filed with the Commission and EMMA as required per Section 5.04 of the 2001 and 2007 Loan Agreements and did not have to be requested by the Commission’s auditor to be filed. In addition, the final rebate calculation for the 2001 and 2007 Bond Series required per Section 5.04 of the Loan Agreement was not prepared and filed with the Commission until the facility was notified by the Commission’s auditor of the need to file.

The bonds were paid off in November 2013.

Well-Spring Retirement Community, Inc. had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2003A	\$15,450,000	\$7,865,000
2003C	\$10,000,000	\$4,815,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the Operating and Capital Budget required per Section 8.4 of the Loan Agreement was not filed with the Commission until requested by the Commission’s auditor. In addition, the Days Cash on Hand and Available Reserve Ratio required per Section 8.12(c) of the Loan Agreement were not filed with EMMA until the Commission’s auditor notified the CFO of the need to file. The information has now been filed with EMMA along with the non-filing notice.

Whitestone d/b/a Masonic and Eastern Star Home of North Carolina, Inc. had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2011A	\$23,095,000	\$22,395,000
2011B	\$4,000,000	\$0

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was not timely filed with the Commission until requested by the Commission's auditor: 1) Project Completion Letter required per Section 4.05 of the Loan Agreement and 4.06 of the Trust Agreement), 2) Project Opinion of Counsel Letter required per Section 4.06 of the Trust Agreement, 3) Quarterly Financial Reporting package for the 2nd quarter per Section 5.04(b) of the Loan Agreement, 4) Operating & Capital Budget per Section 5.04(f), 5) May 2013 Monthly Status Report required after certificate of occupancy has been obtained and before stabilization has been reached per Section 5.04(c)(ii) of the Loan Agreement, 6) May 2013 Project Fund Status Report required per Section 5.04(r) of the Loan Agreement, 7) Comparison of the Audited Statement of Financial Position & Statement of Activities & Changes in Net Assets to the Forecasted Statement of Financial Position & Statement of Activities & Changes in Net Assets required per Section 5.04(a)(ii) of the Loan Agreement, 8) April 2013 Unaudited Statement of Revenues & Expenses & Statement of Cash Flows required to be filed with the monthly report after certificate of occupancy has been obtained and before stabilization has been reached per Section 5.04(c)(ii)(e) of the Loan Agreement, and 9) January, February and March 2013 construction consultant report required each month before the certificate of occupancy has been issued and before stabilization has been met.

The following information was not timely filed with the Commission but the Commission's auditor did not have to request the information be filed: 1) Certificate of Occupancy required per Section 4.08 & 5.04(h) of the Loan Agreement, 2) Notification of stabilization being obtained as required per Section 5.04(i) of the Loan Agreement, and 3) 1st and 4th quarter financial reporting package required per Section 5.04(b) of the Loan Agreement.

The following information was not submitted to the Commission: 1) Insurance Consultant report per Section 3.03 & 3.10(d) of the Master Trust Indenture and 5.04 of the Loan Agreement, and 2) the January, February, March and April Project Fund Status Reports as required per Section 5.04(r) of the Loan Agreement.

It should be noted the findings relating to the completion of the project and stabilization will not be present for FYE 2014 and going forward as the project was completed in fiscal year end 2013 and stabilization was obtained effective June 30, 2013.

II. Hospitals and Healthcare Systems

Alamance Regional Medical Center and Affiliates had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1993	\$53,000,000	\$0
1998	\$16,575,000	\$0
2005Lease	\$10,000,000	\$0

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.4 of the Loan Agreement was not filed with the Commission until requested by the Commission's auditor: 1) Opinion of Counsel Letter concerning continuation and financing statements, and 2) Operating and Capital Budget.

The monthly trustee statements for the period of January 1, 2013 to June 30, 2013, required to be submitted to the Commission by the Trustee per Section 9.06 of the Trust Agreement, were not filed with the Commission until requested by the Commission's auditor.

The final rebate calculation for the 1993 Series Bonds, required per the Non-Arbitrage Certificate, and the 1998 Series Bonds required, per the Tax Certificate & Agreement, were not completed as required at the time the bonds were paid off. Upon notice of the need to complete and file with the Commission by the Commission's auditor, the facility engaged Dixon Hughes Goodman to complete the final rebate calculations for both bond series and have filed both final rebate calculations with the Commission.

The bonds were paid off June 2013.

Angel Medical Center, Inc. As of September 30, 2013, the Series 2011 Bonds had an outstanding principal balance of \$12,170,000 with an original amount authorized of \$14,485,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.9 of the Loan Agreement was not filed with the Commission until requested by the Commission's auditor: 1) cumulative unaudited financial statements and operating statistics year to date all four quarters, and 2) Schedule K of the tax Form 990.

Appalachian Regional Healthcare System, Inc. & Watauga Medical Center, Inc.

As of September 30, 2013, the Series 2011A Bonds had an outstanding principal balance of \$34,005,000 with an original amount authorized of \$35,310,000. Upon the completion of the fiscal year end 2013 compliance examination, there were no findings to report.

Ashe Memorial Hospital, Inc. As of September 30, 2013, the Series 2010 Capital Lease Bonds had an outstanding principal balance of \$1,086,106, with an original amount authorized of \$1,244,536. Upon completion of the fiscal year end 2013 compliance

examination, it was noted the following information required per the Master Lease Agreement was not filed with the Commission until requested by the Commission's auditor: 1) an Officer's Certificate of Compliance as required in Section 5.11(b), and 2) advice of payment for each quarterly lease payment as required in Section 4.01.

In addition, the cumulative unaudited quarterly financial statements for the fourth quarter as required in Section 5.11(a) of the Master Lease Agreement were not timely filed with the Commission, but the Commission's auditor did not have to request the document be filed.

Blue Ridge Healthcare System, Inc. d/b/a Blue Ridge Healthcare had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2005A	\$35,000,000	\$35,000,000
2010A	\$51,195,000	\$44,860,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted there were no findings to report.

Blue Ridge Regional Hospital, Inc. (Spruce Pine) As of September 30, 2013, the Series 1997 Bonds had an outstanding principal balance of \$735,000 with an original amount authorized of \$2,935,000. Upon the completion of the fiscal year end 2013 compliance examination, it was noted that there were no findings to report.

CaroMont Health, Inc had the following outstanding bond series as of June 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2003	\$120,000,000	\$119,100,000
2008	\$118,400,000	\$87,135,000

Upon completion of the fiscal year end 2013 compliance examination, there were no findings to be reported.

Chatham Hospital, Inc. As of June 30, 2013, the Series 2007 FHA Insured Bonds had an outstanding principal balance of \$27,265,000 with an original amount authorized of \$30,540,000. Upon the completion of the fiscal year end 2013 compliance examination, it was noted that Chatham 1) had not timely filed the Operating and Capital Budgets as required by Section 9.5 of the Loan Agreement, and 2) the Debt Service Coverage Ratio did not comply with the minimum requirement in Section 9.7 of the Loan Agreement.

Being a Department of Housing and Urban Development (HUD) deal, Chatham has certain annual measures of financial operations that require management to submit a business plan approved by the Chatham Board to HUD if they are not met. Chatham did

not achieve the required level of financial operations per the Regulatory Agreement for fiscal year ending 2013.

Chatham began fiscal year 2013 on a credit watch with HUD. The 2013 operating budget/business plan was reviewed by HUD and Chatham files monthly financial statements and operating statistics to both HUD and the Commission. HUD reviews the monthly financial statements with Chatham via monthly phone calls. This process of review from HUD will continue each fiscal year until Chatham has two consecutive years in which they meet the required level of financial operations per the Regulatory Agreement.

The fiscal year 2015 audited financial statements indicate that Chatham achieved the minimum Debt Service Coverage Ratio required in Section 9.7 of the Loan Agreement.

Cleveland County HealthCare System had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2004A	\$38,600,000	\$0
2011A	\$39,560,000	\$0

During the second quarter of fiscal year end 2013, the Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System advance refunded all of the outstanding Series 2004A and Series 2011A Bonds on May 23, 2013, by depositing with an Escrow Agent enough cash and non-callable direct obligations of the United States of America in an amount which, together with interest thereon, would provide for the payment in full of the Bonds, together with the accrued interest thereon, to the maturity dates and redemption date of the Bonds. Due to this prepayment before the end of fiscal year 2013, there were no findings to report.

Columbus Regional Healthcare System As of September 30, 2013, the Series 2013A Bonds had an outstanding principal balance of \$25,605,000 with an original amount authorized of \$25,605,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following documents were not filed with the Commission as required per Section 5.04 of the Loan Agreement: 1) monthly Project Fund Status Reports and 2) an Officer's Certificate setting forth an accounting of funds expended from the Construction Fund during the 2013 fiscal year.

The fourth quarter cumulative unaudited financial statements and operating statistics were not filed with the Commission until the Commission's auditor requested the documents as required in Section 5.04 of the Loan Agreement. The fourth quarter documents were filed late to the Commission and to the Electronic Municipal Market Access (EMMA) website. The Schedule K of tax Form 990 was also late and not filed with the Commission until the Commission's auditor requested the document as required in Section 5.04 of the Loan Agreement.

The following documents required per Section 5.04 of the Loan Agreement were filed late with the Commission: 1) Audited Financial Statements, 2) Officer’s Certificate of Compliance, 3) Auditor’s Certificate of Compliance, 4) comparison of Audited Financial Statements to the Forecasted Financial Statements, and 5) Operating Budget.

Section 5.11 of the Loan Agreement requires the Audited Financial Statements and certain statistical data to be filed annually to EMMA. The Audited Financial Statements and statistical data were provided to EMMA after their due date, along with a notice of failure to file the annual documents by their due date.

Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2006A	\$37,020,000	\$5,380,000
2008A	\$152,000,000	\$152,000,000
2012A	\$108,195,000	\$108,195,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following documents required per Section 5.11 of the Loan Agreements were not filed with the Commission until requested by the Commission’s Auditor: 1) the Operating and Capital Budgets, 2) the comparison of the Audited Statement of Operations and Changes in Net Assets to the Budget Statement of Operations and Changes in Net Assets, and 3) the completed copy of the compliance checklist. The Schedule K of tax Form 990, as required by Section 5.5 of the Loan Agreements, was also filed late with the Commission and after being requested by the Commission’s Auditor.

The Days Cash on Hand was not filed to the EMMA per Section 5.9 of the Series 2012A Loan Agreement. The Health System engaged Bond Counsel to assist in the preparation of a Notice of Failure to provide the required calculation on or before the date specified in Section 5.9. The notice, along with the Days Cash on Hand, was filed to the EMMA.

The Health System and the Master Trustee did not ensure the transfer of the unused amount held for issuance expenses in the Series 2012A Issuance Fund to the Series 2012A Interest Account until one year later than specified in the Series 2012A Non-Arbitrage and Tax Certificate, Section 19, and the Series 2012A Bond Indenture, Section 405. The unused funds were to be transferred to be used to pay interest on the 2012A Bonds on April 1, 2013.

The Series 2012A Bond Indenture, Sections 401 and 502 – 504, required the Master Trustee to establish separate trust accounts for principal, interest and issuance payments. All amounts received by the Master Trustee for principal of or interest on the 2012A bonds were to be deposited into separate accounts. The Master Trustee deposited amounts received for both principal and interest payments into one account and made principal and interest payments via the same account. The Master Trustee acknowledged

the requirement for separate accounts and has made changes to use the separate funds established for deposits and payments of principal and interest.

Duke University Health System, Inc. and Affiliates had the following outstanding bond series as of June 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1985B	\$43,500,000	\$0
1993A	\$28,650,000	\$0
2005 A/B/C	\$322,140,000	\$322,140,000
2006 A/B/C	\$150,715,000	\$134,685,000
2009A	\$180,000,000	\$180,000,000
2010A	\$120,000,000	\$120,000,000
2012A	\$300,000,000	\$300,000,000
2012B	\$28,650,000	\$28,650,000
2012C	\$10,875,000	\$10,875,000
2005 Lease	\$40,000,000	\$0
2008 Lease	\$40,000,000	\$8,429,973
2012 Lease	\$40,000,000	\$21,819,345

Upon completion of the fiscal year end 2013 compliance examination, it was noted that during the annual post issuance compliance policies and procedures review conducted by DUHS staff, equipment in the amount of \$105,836 funded with the 2006 Series Bonds was improperly disposed of during 2007 and 2010, thereby violating the 2006 Tax Certificate & Agreement. To remedy the covenant violation, DUHS entered into an agreement with the IRS by using the IRS VCAP Program whereby the amount improperly disposed of was refunded and therefore, bringing DUHS back into compliance.

FirstHealth of the Carolinas, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2002	\$50,000,000	\$0
2008A	\$75,015,000	\$41,695,000
2009C	\$54,500,000	\$43,420,000
2009D	\$40,830,000	\$40,830,000
2010	\$29,535,000	\$29,535,000
2012A	\$45,610,000	\$45,395,000
2012B	\$28,435,000	\$28,435,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted Schedule K of Form 990 required per Section 5.03(b)(iii) of the Loan Agreements was not filed with the Commission until requested by the Commission's auditor.

Halifax Regional Medical Center, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1998	\$33,670,000	\$13,375,000
2011	\$6,500,000	\$6,470,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted that the Forecast Comparison to the Audited Financial Statements was filed late and after being requested by the Commission’s auditor.

The hospital was in violation of Section 5.11 of the Series 1998 Loan Agreement by not providing 1) certain annual statistical data and 2) the Long-Term Debt Service Coverage Ratio to the Electronic Municipal Market Access (EMMA) by the due date. The omitted data was identified by the Commission’s auditor to the hospital and the hospital provided the data to EMMA along with a notice of failure to file the data by the due date.

The Series 2011 Trust Agreement, Sections 5.01 - 5.05, requires the bond trustee to establish a Sinking Fund in order to pay the principal payments when due. The bond trustee paid the required principal payments during fiscal year 2013 via the Interest Account and not the Sinking Fund. The bond trustee has acknowledged the error identified by the Commission’s auditor and will pay the required principal payments going forward via the Sinking Fund account.

High Point Regional Health System had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1997	\$29,880,000	\$2,070,000
1999	\$61,070,000	\$37,390,000
2009	\$9,540,000	\$1,400,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was requested but was not filed to the Commission: 1) Opinion of Counsel Letter required to be completed under Section 3.10(e) of the Master Trust Indenture and Section 5.04 of the Loan Agreements, 2) 2nd Quarter Financial Report required per section 5.04 of the Loan Agreements, 3) comparison of the Audit to Forecast required per Section 5.04 of the 2009 Loan Agreement, and 4) Officer’s Certificate and Auditor’s Certificate of Compliance for fiscal year end 2013 required per Section 3.10(b) of the Master Trust Indenture and 5.04 of the Loan Agreement stating the Long Term Debt Service Coverage Ratio for fiscal year end 2013.

The Audited Financial Statements required per Section 3.10(a) of the Master Trust Indenture and 5.04 of the Loan Agreements were not filed with the Commission until requested.

The following information required to be filed to EMMA per Section 5.11 of the 1999 Loan Agreement was not filed: 1) fiscal year end 2013 Audited Financial Statements, 2) Information from Appendix A tables labeled: “Selected Operating Information”, “Medical Staff” and “Third Party Reimbursement & Sources of Revenue” and 3) Long Term Debt Service Coverage Ratio for fiscal year end 2013. High Point Regional did provide notice according to Section 5.11(e) of the Loan Agreement stating the information required per Section 5.11 of the Loan Agreement had not been filed, but the hospital never remedied the violation by filing the information to EMMA.

High Point Regional is required to meet the Long Term Debt Service Coverage Ratio requirement of 1.2 per Section 3.07 of the Master Trust Indenture and 2.00 per the Loan Agreements. The Long Term Debt Service Coverage Ratio for fiscal year end 2013 was requested but was not submitted to the Commission. It should be noted that during fiscal year end 2013, High Point Regional merged with UNC Healthcare. The merger required two financial audits be completed due to the change in accounting frameworks used by the two entities. Since High Point Regional changed from the FASB financial framework to the GASB financial framework used by UNC Healthcare, this created several accounting adjustments that significantly impacted the financials for High Point Regional. Due to the negative impact on the financials for High Point Regional, UNC Healthcare and High Point Regional defeased the High Point Regional Bonds in June 2014.

Hugh Chatham Memorial Hospital, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2003	\$40,000,000	\$32,960,000
2013	\$43,600,000	\$43,600,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following documents required per Section 5.3 of the Loan Agreements were filed late with the Commission but did not have to be requested by the Commission’s auditor: 1) the Audited Financial Statements, and 2) the Auditor Certificate of Compliance.

The following documents required per Section 5.3 of the Loan Agreements were not filed with the Commission until being requested by the Commission’s Auditor: 1) Officer Certificate of Compliance, 2) Operating and Capital Budgets, 3) Schedule K of tax Form 990, 4) completed copy of the Compliance Checklist, 5) comparison of the audited financial statements to the forecasted statements prepared in connection with securing the approval of the Series 2008 bonds, 6) the rebate calculation for the Series 2003 bonds, and 7) the final rebate calculation for the refunded Series 2008 bonds.

The hospital converted the outstanding balance of \$43,600,000 of the Series 2008 bonds to a direct purchase index interest rate mode on July 25, 2013.

Section 5.3 of the Loan Agreements also requires the following documents to be filed with the Local Government Commission: 1) Audited Financial Statements, 2) Officer Certificate of Compliance, 3) Auditor Certificate of Compliance, 4) completed copy of the compliance checklist, 5) comparison of the audited financial statements to the forecasted statements prepared in connection with securing the approval of the Series 2008 bonds, and 6) Operating and Capital Budgets. These documents were not filed with the Local Government Commission. The hospital sent the documents to the Local Government Commission upon request by the Commission’s auditor.

Iredell Memorial Hospital, Inc. As of September 30, 2013, the Series 2011 Bonds had an outstanding principal balance of \$31,730,000 with an original amount authorized of \$35,000,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.4 of the Loan Agreement was not timely filed with the Commission but did not have to be requested by the Commission’s auditor: 1) the Audited Financial Statements, and 2) the Operating and Capital Budgets. The Accountant’s Certificate of Compliance required per Section 5.4 of the Loan Agreement was not filed with the Commission until requested by the Commission’s auditor.

J. Arthur Doshier Memorial Hospital As of September 30, 2013, the Series 1998 Bonds had an outstanding principal balance of \$1,945,000 with an original amount authorized of \$5,000,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted that the hospital had not timely filed to the Commission 3 of the 4 quarterly financial statements as required in Section 5.8 (b) of the Loan Agreement, but the Commission’s auditor did not have to request the documents. A comparison of the Audited Financial Statements and the Operating Budget for fiscal year 2013 was not filed with the Commission as required in Section 5.8 (g) of the Loan Agreement.

Lenoir Memorial Hospital, Inc. As of September 30, 2013, the Series 2005 Bonds had an outstanding principal balance of \$18,485,000 with an original amount authorized of \$22,000,000. Upon completion of the fiscal year end 2013 compliance examination, there were no findings to be reported.

Mission Health System, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2003	\$17,810,000	\$8,780,000
2007	\$260,430,000	\$247,785,000
2010	\$65,000,000	\$61,780,000
2011	\$32,270,000	\$30,495,000
2009 Lease	\$30,000,000	\$11,291,212

Upon completion of the fiscal year end 2013 compliance examination, it was noted that the Continuing Disclosure Officer Certificate for the Series 2003, 2007 and 2010 bonds was not filed to the Commission, LGC and the Trustee by February 27, 2014, as required

per Section 5.06 of the Loan Agreements. Upon request, Mission issued the Continuing Disclosure Certificate, dated March 23, 2015, and submitted it the Commission, LGC and the Trustee.

While performing due diligence for a new 2015 bond issue, Mission Health discovered that certain annual statistical data for fiscal year ended 2013 was omitted from the January 28, 2014 Continuing Disclosure filing to EMMA as required per Section 5.06 (b) of the Series 2003, 2007 and 2010 Loan Agreements. The Continuing Disclosure filing of the omitted 2013 statistical data was submitted to EMMA on February 6, 2015. A Notice of Event for the failure to provide the required statistical data was also filed separately to EMMA for the Series 2003, 2007 and 2010 bonds on February 20, 2015, as required in Section 5.06 (d) of the Series 2003, 2007 and 2010 Loan Agreements.

Morehead Memorial Hospital As of September 30, 2013, the Series 2005 Bonds had an outstanding principal balance of \$0.00, with an original amount authorized of \$47,675,000. The \$40,360,000 balance outstanding as of September 30, 2012 was prepaid in full December 14, 2012. Due to this prepayment before the end of the first 3 months of fiscal year 2013, there were no findings to report.

The Moses H. Cone Memorial Hospital had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2001 A&B	\$85,200,000	\$85,200,000
2004A	\$47,500,000	\$47,500,000
2011A	\$60,170,000	\$60,170,000
2011B	\$47,980,000	\$47,980,000
2011C	\$50,000,000	\$49,745,000
2011D	\$50,000,000	\$49,550,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.03 of the Loan Agreement was not filed with the Commission until requested: 1) Schedule K of Form 990 and 2) Monthly Project Fund Status Reports for the Series 2011 C&D Bonds.

The Opinion of Counsel Letter required per Section 506 of the Trust Agreement, required to be filed with the Trustee and Commission once the project has been completed, was not prepared or filed with the Commission and Trustee until requested by the Commission's auditor. In addition, the certificate required to be signed by the architect was not submitted to the Trustee with one of the requisitions submitted to the Trustee for reimbursement as required per Section 504(b) of the Trust Agreement.

Novant Health, Inc. had the following outstanding bond series as of December 31, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2003A	\$164,325,000	\$0
2004A/B	\$135,000,000	\$135,000,000
2006	\$250,000,000	\$250,000,000
2010A	\$264,165,000	\$264,165,000
2011A/B/C	\$195,960,000	\$155,580,000
2013A	\$152,400,000	\$152,400,000
2005Lease	\$50,000,000	\$0

Upon completion of the fiscal year end 2013 compliance examination, it was noted the Quarterly Officer's Certificate for the first, second and third quarters required per Section 3.2(b)(ii) of the 2005 Lease Agreement were not filed with the Commission until requested. The 2005 Lease was paid off in the fourth quarter of fiscal year end 2013.

Rex Healthcare, Inc. and Subsidiaries As of June 30, 2013, the Series 2010 Bonds had an outstanding principal balance of \$115,200,000 with an original amount authorized of \$122,965,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted Rex Hospital merged with Rex Home Services, Inc. on October 2012. The CFO of Rex Healthcare, Inc. did not obtain prior approval from the Commission and did not notify the Commission before the merger as required per Section 5.02 of the Loan Agreement. An Officer's Certificate from Rex Healthcare, Inc. is now on file regarding the merger.

Rutherford Hospital, Inc. As of September 30, 2013, the Series 2010 Bonds had an outstanding principal balance of \$21,258,530 with an original amount authorized of \$22,160,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.08 of the Loan Agreement was not timely filed with the Commission but did not have to be requested by the Commission's auditor to be filed: 1) Operating and Capital Budgets, and 2) Schedule K of the tax Form 990. The following documents were not filed with the Commission as required in Section 5.08 of the Loan Agreement: 1) Officer's Certificate of Compliance, and 2) comparison of the Audited Financial Statements to the Financial Forecast submitted to the Commission in connection with securing the approval of the bonds.

The bonds were paid in full May 31, 2014.

Scotland Healthcare System As of September 30, 2013, the Series 1999 Bonds had an outstanding principal balance of \$7,020,000 with an original amount authorized of \$13,500,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was not timely filed with the Commission but did not have to be requested by the Commission's auditor: 1) quarterly financial report for the first, third and fourth quarters per Section 5.04 of the Loan Agreement, and 2) Opinion of Counsel Letter per 3.10(e) of the Master Trust Indenture and Section 5.04 of the Loan Agreement, 3) Auditor's Certificate of Compliance per Section 3.10(b) of the

Master Trust Indenture and Section 5.04 of the Loan Agreement, and 4) Audited Financial Statements per Section 3.10(a) of the Master Trust Indenture and Section 5.04 of the Loan Agreement.

Scotland Healthcare transferred assets during the fiscal year which required them to submit an Officer's Certificate showing compliance with Section 3.08(b)(ii) of the Master Trust Indenture – Transfer of Assets to the Master Trustee, however, the Officer's Certificate was not submitted to the Master Trustee. Scotland Healthcare obtained a waiver from the Master Trustee and Radian (bond insurer) to bring them back in compliance with the Master Trust Indenture.

Southeastern Regional Medical Center had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1999	\$25,270,000	\$0
2002	\$48,980,000	\$0
2005	\$20,000,000	\$19,430,000
2012	\$40,210,000	\$37,835,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was not filed with the Commission until requested by the Commission's auditor: 1) first quarter Statement of Cash Flows required per Section 5.04(b) of the Loan Agreement, 2) Opinion of Counsel Letter concerning the filing of the financing and continuation statements was timely filed with the Master Trustee as required per Section 3.10(e) of the Master Trust Indenture but was not timely filed with the Commission as required per Section 5.04(a) of the Loan Agreement, 3) Operating and Capital Budget per Section 5.04(e) of the Loan Agreement, 4) Schedule K of Form 990 required per Section 5.04(h) of the 2012 Loan Agreement, 5) completed Compliance Checklist required per Section 5.04(a)(v) of the 2012 Loan Agreement and 6) Comparison of the Audit to Forecast to obtain bond financing for the 2012 Series Bonds as required per Section 5.04(a)(i) of the 2012 Loan Agreement.

Stanly Health Services, Inc. and Affiliates had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1996	\$28,990,000	\$8,029,733
1999	\$15,000,000	\$11,540,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was not timely filed with the Commission but did not have to be requested by the Commission's auditor to be filed: 1) Audited Financial Statements as required per Section 5.04 of the Loan Agreement and Section 3.10(a) of the Master Trust Indenture, 2) Auditor's and Officer's Certificate of Compliance as required per Section

5.04 of the Loan Agreement and 3.10(b) of the Master Trust Indenture, and 3) first and second quarter financial report required per Section 5.04 of the Loan Agreement.

The following information was not provided to the Commission until requested by the Commission's auditor: 1) Operating & Capital Budget required per Section 5.04 of the Loan Agreement, and 2) the audited Long Term Debt Service Coverage Ratio for the fiscal year end as the Officer's & Auditor's Certificate of Compliance required per Section 3.10(b) of the Master Trust Indenture and 5.04 of the Loan Agreement did not state the Long Term Debt Service Coverage Ratio for the fiscal year end.

Stanly Health Services, Inc. transferred cash and forgave debt in the amount of \$3,962,151 to a member of Stanly Health Services, however, that member was not part of the Obligated Group. The transfer and forgiveness of debt took place during fiscal year end 2013 and violated Section 3.08(b)(ii) of the Master Trust Indenture. The CFO of Stanly Health Services requested a waiver from the Master Trustee for the violation of the Master Trust Indenture in December 2013 (after the end of Stanly Health Services fiscal year end 2013). Upon review of the documentation and discussion with the CFO, the Trustee did not issue the waiver for the covenant violation to Stanly Health Services, Inc. The covenant violation was remedied with the payoff of the 1996 and 1999 bonds in January 2015.

Transylvania Regional Hospital, Inc. As of September 30, 2013, the Series 2011 Bonds had an outstanding principal balance of \$13,650,000 with an original amount authorized of \$14,655,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.09 of the Loan Agreement was not timely filed to the Commission but did not have to be requested by the Commission's auditor to be filed: 1) quarterly financial statements and operating statistics for 3 of the 4 quarters, and 2) the Operating Budget.

The proceeds of the Series 2011 bonds refunded in full both the Series 1997 and Series 2009 bonds. Section 3.08(a) of the Series 1997 Loan Agreement requires a copy of the rebate calculation to be filed with the Commission within 10 days after each computation date. Section 5.04(e)(i) of the Series 2009 Loan Agreement requires a copy of the rebate calculation to be filed with the Commission within 45 days after each computation date. The final computation date for the Series 1997 bonds was September 9, 2011. The final computation date for the Series 2009 bonds was August 24, 2011. As of January 2015, Transylvania had not engaged a rebate verifier to perform the calculations required under Section 148(f) of the Internal Revenue Code of 1986 as amended. Upon being informed by the Commission's auditor that said calculations were required, Transylvania engaged a firm to perform the calculations. The rebate calculations were received February 2015.

University Health Systems of Eastern Carolina d/b/a Vidant Health had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2008C	\$74,455,000	\$790,000
2008D	\$119,715,000	\$119,715,000
2008E	\$77,900,000	\$755,000
2010	\$22,425,000	\$15,275,821
2011	\$50,000,000	\$48,045,000
2012A	\$150,500,000	\$147,765,000
2013A	\$101,605,000	\$101,605,000
2013B	\$112,000,000	\$112,000,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following documents were not timely filed to the Commission but did not have to be requested by the Commission's auditor to be filed: 1) completed Compliance Checklist per Section 5.03 of the Series 2013A Loan Agreement, and 2) Final Rebate Calculations for the refunded Series 2008A and 2008B bonds as required in Section 5.03 of the Series 2008A and 2008B Loan Agreements. Vidant Health was late to engage a firm to perform the Final Rebate calculations for the refunded Series 2008A and 2008B bonds per Part E, Section 9, of the Series 2008A & B Tax Certificate.

During fiscal year ended 2013, the Trustee made principal payments from the Interest Fund instead of the Sinking Fund for the Series 2008A, 2008B and 2011 bonds. Sections 502 through 504 of the Series 2008A and Series 2008B Trust Agreements require the Trustee to establish a Sinking Fund to be used to make the principal payments. Sections 5.02 through 5.05 of the Series 2011 Trust Agreement require the Trustee to establish a Sinking Fund to be used to make the principal payments. The Trustee acknowledges the incorrect use of the Interest Funds to make the principal payments and will review all Trustee held funds to ensure compliance with the Trust Agreement.

Wake Forest Baptist Medical Center had the following outstanding bond series as of June 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2010	\$322,750,000	\$299,010,000
2012 A	\$118,405,000	\$118,405,000
2012 B	\$112,605,000	\$112,605,000
2012 C	\$59,045,000	\$59,045,000
2012 D	\$80,000,000	\$62,892,248

The Series 2012 D was issued to fund a Project and structured as a draw down loan up to a maximum of \$80,000,000. As of June 30, 2013, the Project was not completed and the Obligated Group had approximately \$17 million available to draw down.

Upon completion of the fiscal year end 2013 compliance examination, it was noted that the Coverage Ratio was not greater than 2.0 as required in Section 5.03 of the Series 2010 Loan Agreement and Section 5.03 of all the Series 2012 Loan Agreements. The Coverage Ratio was greater than the minimum 1.2 as set forth in Section 411 of the Master Trust Indenture.

Although the Obligated Group did not meet the 2.0 Coverage Ratio for fiscal year end 2013 and 2014, fiscal year end 2015 was greater than 2.0.

WakeMed had the following outstanding bond series as of fiscal year ending September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2009B	\$75,000,000	\$75,000,000
2009C	\$81,780,000	\$70,765,000
2012A	\$294,840,000	\$289,205,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted by the Commission's auditor that the principal payments for both the Series 2009C and 2012A bonds were made via the Series 2009C and 2012A Interest Accounts and not the Series 2009C Sinking Fund and the Series 2012A Principal Account as required in Article V of the Series 2009C and Series 2012A Trust Agreements. The Trustee acknowledged the error and reported that they have updated their system to avoid this error in the future.

Wayne Memorial Hospital, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2009	\$35,720,000	\$35,720,000
2012	\$23,290,000	\$21,445,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the Schedule K of Tax Form 990, required per Section 5.04 of the Loan Agreements, was filed late with the Commission but the document did not have to be requested by the Commission's auditor to be filed.

The following documents required per Section 5.04 of the Loan Agreements were filed late to the Commission after being requested by the Commission's auditor: 1) completed Document Compliance Checklist, 2) Operating and Capital Budget, 3) comparison of Audited Financial Statements to the forecast, and 4) the last 3 quarterly financial statements and operating statistics.

The Series 2012 Trust Agreement, Section 501, requires the annual principal payments to be made by the Master Trustee via a trustee held Sinking Fund. The first scheduled

payment of principal for the Series 2012 bonds was paid directly by the hospital to the bond holder and not by the Master Trustee via the established Sinking Fund.

The hospital was in violation of Section 3.06(a) of the Master Trust Indenture due to incurring additional indebtedness without sending to the Master Trustee the required Officer Certificate and the required calculation of the Long-Term Debt Service Coverage Ratio, adjusted to include the new indebtedness, prior to incurring the new indebtedness. The hospital sent the required calculation and Officer Certificate to the Master Trustee 6 months after incurring new debt totaling \$1,125,000. The Long-Term Debt Service Coverage Ratio adjusted to include the new indebtedness was above the required 1.35 and the Master Trustee issued a waiver of the covenant.

The hospital was also in violation of Section 3.08(b) of the Master Trust Indenture by not filing with the Master Trustee the required Long-Term Debt Service Coverage Ratio calculation and Officer's Certificate prior to transferring cash to a non-obligated group member. To transfer cash to a non-obligated group member, the Long-Term Debt Service Coverage Ratio adjusted for the amount of the transfers cannot be below 1.75. The ratio calculation and Officer's Certificate, along with a request for a waiver, was sent to the Master Trustee after September 30, 2013. The ratio was above 1.75 and the Master Trustee issued a waiver of the covenant.

WestCare Health System had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2002A	\$26,860,000	\$12,990,000
2002B Taxable	\$880,000	\$515,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 5.04 of the Loan Agreement was not timely filed with the Commission and did not have to be requested by the Commission's auditor to be filed: 1) the Audited Financial Statements, 2) the Accountant's Certificate of Compliance, and 3) the Officer's Certificate of Compliance.

WestCare failed to comply with the following requirements of Section 3.07 of the Master Trust Indenture: 1) the Long-Term Debt Service Coverage Ratio calculated at the end of each fiscal year will not be less than 1.20 and 2) a Consultant be retained to make recommendations to increase the Long-Term Debt Service Coverage Ratio if at any time the ratio of 1.20 is not met.

WestCare failed to comply with Section 5.01(p) of the Letter of Credit and Reimbursement Agreement by not maintaining Days Cash on Hand in an amount no less than 75 days at March 31 and September 30, 2013.

At the request of WestCare, Branch Banking and Trust Company, as the owner of the Bonds and the Credit Issuer, waived all defaults that occurred during fiscal year 2013 and

directed the Bond Trustee to waive all defaults under the Master Trust Indenture and the Loan Agreement for fiscal year 2013.

The Series 2002A and 2002B were paid in full July 31, 2014.

Wilson Medical Center had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1997	\$50,953,361	\$4,439,626
2007	\$33,825,000	\$21,210,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was not timely filed with the Commission and did not have to be requested by the Commission's auditor to be filed: 1) Audited Financial Statements required per Section 3.10(a) of the Master Trust Indenture and 5.04(a) of the Loan Agreement and 2) quarterly Financial Reports for all four quarters as required per Section 5.04(b) of the Loan Agreement.

The following information was not filed to the Commission: 1) Auditor's Certificate of Compliance required per Section 5.12 and 5.04(a) of the Loan Agreement stating Wilson Medical is in compliance with Secondary Market Disclosure filing requirements, 2) Auditor's and Officer's Certificate of Compliance required per Section 3.10(b) of the Master Trust Indenture and 5.04(a) of the Loan Agreement, 3) Operating & Capital Budget required per Section 5.04(e) of the Loan Agreement, and 4) Opinion of Counsel letter required per Section 3.10(e) of the Master Trust Indenture and 5.04 of the Loan Agreement.

In addition, Wilson Medical did not file the following information with EMMA as required per Section 5.12 of the Loan Agreement: 1) Audited Financial Statements, 2) information from Appendix A tables labeled "Changes in Medical Staff", "Selected Operating Statistics", "Inpatient Gross Revenue Payor Mix", "Outpatient Gross Revenue Payor Mix", and "Historical Pro-Forma Financial Ratios", 3) Long Term Debt Service Coverage Ratio for fiscal year end 2013, and 4) failure to Provide Notice of non-filing.

The 1997 and 2007 Series Bonds were paid off February 2014.

III. Other Healthcare Entities

Cornelia Nixon Davis, Inc. had the following outstanding bonds series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
1998	\$7,500,000	\$0
2003	\$7,000,000	\$0
2012	\$27,665,000	\$14,754,705

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per the Loan Agreement was not filed with the Commission until requested by the Commission's auditor: 1) Schedule K of Form 990 per Section 5.08(m), and 2) Quarterly Officer's Certificate outlining the costs of the project per Section 5.08(i). Facility provided an Officer's Certificate for the entire 2013 fiscal year.

The Audited Financial Statements, Officer's Certificate of Compliance and Auditor's Certificate of Compliance required per Section 5.08(a), 5.08(d) and 5.08(e) of the Loan Agreements were not timely filed with the Commission but did not have to be requested by the Commission's auditor to be filed.

The Cross Road Rest and Retirement Center, Inc. As of September 30, 2013, the Series 2006 Bonds had an outstanding principal balance of \$6,720,000 with an original amount authorized of \$8,000,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per the Loan Agreement was not filed with the Commission: 1) Operating Statistics for all four quarters, and 2) second and third quarter Statement of Cash Flows.

The following information required per Section 5.04 of the Loan Agreement was not timely filed with the Commission but did not have to be requested by the Commission's auditor to be filed: 1) Audited Financial Statements, 2) Auditors and Officer's Certificate of Compliance, 3) Management Representation Letter from the Accountant, 4) Operating and Capital Budget, and 5) the Quarterly Financial Report for the fourth quarter. The Statement of Cash Flows for the fourth quarter of fiscal year end 2013 required per Section 5.04 of the Loan Agreement was not filed with the Commission until requested.

The bonds were paid off with taxable debt December 2013.

DePaul Group, Inc. (Community Facilities, Inc.) As of December 31, 2013, the Series 2007A bonds had an outstanding principal balance of \$29,175,000 with an original amount authorized of \$30,125,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per the Loan Agreement was not filed with the Commission until requested by the Commission's auditor: 1) Operating & Capital Budget per Section 5.10, 2) Long Term Debt Service Coverage Ratio for all four quarters per Section 5.08(h), 3) comparison of the Audited

Statement of Financial Position & Statement of Activities & Changes in Net Assets to the Forecasted Statement of Financial Position & Statement of Activities & Changes in Net Assets used to obtain the bonds per Section 5.10 and 4) the utilization statistics for the quarters ending March, June and December per Section 5.08(h).

Hospice of Alamance – Caswell Foundation, Inc. As of September 30, 2013, the Series 2008 Bonds had an outstanding principal balance of \$4,700,000 with an original amount authorized of \$5,000,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per the 2008 Loan Agreement was not timely filed with the Commission but did not have to be requested by the Commission’s auditor to be filed: 1) Audited Financial Statements per Section 5.05(a), 2) March, June and September quarterly reports per Section 5.05(c), and 3) the Operating and Capital Budget per Section 5.05(e),

The following information required per the Loan Agreement was not filed with the Commission until requested by the Commission’s auditor: 1) Officer’s Certificate of Compliance per Section 5.05(a), 2) Schedule K of Form 990 per Section 5.05(b)(iii), and 3) Insurance Consultant Report per Section 5.13.

In addition, the outstanding principal balance of the 2008 bonds as of June 30, 2013 was not timely filed by the Trustee with the LGC as required per Section 9.06 of the Trust Agreement.

Hospice and Palliative Care Charlotte Region As of December 31, 2013, the Series 2010 Bonds had an outstanding principal balance of \$3,285,500 with an original amount authorized of \$4,995,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per the Loan Agreement was not timely filed with the Commission but did not have to be requested by the Commission’s auditor to be filed: 1) Financial Quarterly Report for all four quarters per Section 5.05(c), and 2) Operating and Capital Budget per Section 5.05(e). The insurance consultant report required per Section 5.13 of the Loan Agreement was not filed with the Commission until requested by the Commission’s auditor.

It was noted the Trustee did not timely file the written statement showing the outstanding principal balance of the 2010 Series at June 30, 2013 to the Local Government Commission in the time period specified per Section 9.06 of the Trust Agreement.

Hospice and Palliative Care Charlotte Region made additional principal payments during fiscal year end 2013 on the Series 2010 Bonds, yet they did not provide the appropriate notice to the Commission or the Trustee as required per Section 7.01(b) of the Loan Agreement before such payment was made. The facility obtained a waiver from the Trustee for the violation and provided the Commission with a letter signed by the Corporate Representative outlining the details of the additional principal payments as required per Section 7.01(b) of the Loan Agreement.

Lower Cape Fear Hospice, Inc. had the following outstanding bond series as of September 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2007	\$4,000,000	\$3,500,000
2011	\$3,400,000	\$2,346,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per the 2007 and 2011 Loan Agreements was not filed with the Commission until requested by the Commission’s auditor: 1) 1st, 2nd and 3rd quarter financial reporting package required per Section 5.05(c) and 2) Operating and Capital budget required per Section 5.05(e).

McDowell Nursing (Senior Care Group of McDowell) had the following outstanding bond series as of June 30, 2013:

<u>Bond Series</u>	<u>Authorized Principal Amount</u>	<u>Principal Amount Outstanding FYE 2013</u>
2002A	\$7,210,000	\$6,276,573
2002B	\$800,000	\$670,000

Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information required per Section 6.6 of the Financing Agreements was not filed with the Commission until requested by the Commission’s auditor: 1) Audited Financial Statements, and 2) the Officer’s Certificate of Compliance. The first and second quarter financial reporting package was not timely filed with the Commission but did not have to be requested by the Commission’s auditor to be filed.

The Auditor’s Certificate of Compliance and the first quarter Balance Sheet and Statement of Cash Flows required per Section 6.6 of the Financing Agreements were not filed with the Commission.

The following information required per Section 6.15 of the Financing Agreement was not filed with EMMA: 1) Audited Financial Statements, 2) Long Term Debt Service Coverage Ratio for fiscal year end 2013, 3) Average Occupancy Rates and Average Monthly Occupancy Charges & Third Party Payor Mix Census, and 4) Failure to File notice.

The 2002A and 2002B Bonds were paid off in June 2014.

North Carolina Housing Foundation, Inc. As of June 30, 2013, the Series 2000 Bonds had an outstanding principal balance of \$0 with an original amount authorized of \$11,970,000. The \$10,025,000 balance outstanding as of June 30, 2012 was prepaid in full August 16, 2012. Due to this prepayment before the end of the first 3 months of fiscal year 2013, there were no findings to report.

Sisters of Mercy Services Corporation and Affiliates As of September 30, 2013, the Series 2007 Bonds had an outstanding principal balance of \$3,800,000 with an original amount authorized of \$4,400,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the Operating and Capital Budget required per Section 5.05(e) of the Loan Agreement was not timely filed with the Commission but did not have to be requested by the Commission's auditor to be filed.

The Bonds were refunded in April 2014 with taxable debt.

The ARC of North Carolina As of September 30, 2013, the Series 2004 Bonds had an outstanding principal balance of \$31,055,000 with an original amount authorized of \$34,650,000. Upon completion of the fiscal year end 2013 compliance examination, it was noted the following information was not timely filed with the Commission but did not have to be requested by the Commission's auditor to be filed: 1) quarterly Financial Reports for all four quarters per Section 5.4 of the Loan Agreement, and 2) Audited Financial Statements required per Section 3.11(a) of the Master Trust Indenture and 5.4 of the Loan Agreement.

The following information was not filed with the Commission until requested by the Commission's auditor: 1) Insurance Consultant Report required per Section 3.11(d) of the Master Trust Indenture was filed with the Master Trustee but was not timely filed with the Commission as required per Section 5.4 of the Loan Agreements, 2) Opinion of Counsel letter required per Section 3.10(e) of the Master Trust Indenture and 5.4 of the Loan Agreement was timely filed with the Master Trustee but not with the Commission, and 3) Annual Officer's Certificate of Compliance and the Interim Officer's Certificate stating the Long Term Debt Service Coverage Ratio per Section 3.11(b) of the Master Trust Indenture and Section 5.4 of the Loan Agreement.

The annual Audited Financial Statements and Occupancy Rate Information required to be filed to EMMA per Section 8.1 of the Loan Agreement was not timely filed along with the quarterly reports required per Section 5.4 of the Loan Agreement. The information has since been posted to EMMA along with the Notice of Failure to File.

In addition, the quarterly operating statistics required per Section 5.4 of the Loan Agreement was not filed with the Commission.