

MINUTES
MEDICAL UNIVERSITY HOSPITAL AUTHORITY
BOARD OF TRUSTEES MEETING
May 16, 2013

The Board of Trustees of the Medical University Hospital Authority convened Thursday, May 16, 2013, with the following members present: Thomas L. Stephenson, Esquire, Chairman; Dr. James E. Wiseman, Jr., Vice Chairman; Dr. Stanley C. Baker, Jr.; Mr. William H. Bingham, Sr.; Dr. Cotesworth P. Fishburne, Jr.; Mr. William B. Hewitt; Dr. Harold W. Jablon; Dr. Donald R. Johnson II; Dr. E. Conyers O'Bryan, Jr.; Dr. Thomas C. Rowland, Jr.; Mr. Charles W. Schulze; The Honorable Robin M. Tallon; and Dr. Charles B. Thomas, Jr.

The following administrative officials were present: Dr. Raymond S. Greenberg, President; Dr. Mark Sothmann, Vice President for Academic Affairs and Provost; Dr. Etta Pisano, Vice President for Medical Affairs, and Dean, College of Medicine; Ms. Lisa Montgomery, Executive Vice President for Finance and Operations; Dr. Pat Cawley, Vice President for Clinical Operations and Executive Director, MUHA; Dr. Frank Clark, Vice President for Information Technology and CIO; Mr. Jim Fisher, Vice President for Development.

Item 1. Call to Order-Roll Call.

There being a quorum present, Chairman Stephenson called the meeting to order. Ms. Celeste Jordan called the roll.

Mr. Stephenson said the first order of business is to recognize Dr. Fishburne's retirement after 25 years on the Board. Since this was his last official meeting, the board presented him with an MUSC lamp as a small token of their friendship. There is also a resolution from the legislature coming at a later date to honor him for his service to MUSC and the State.

Dr. Jim Wiseman made a motion to make Dr. Fishburne an Emeritus member of the board.

Action: A motion was made, seconded and unanimously voted to make Dr. Fishburne an Emeritus member of the board.

Item 2. Secretary to Report Date of Next Meeting.

The date of the next regularly scheduled meeting is Friday, August 9, 2013.

Item 3. Approval of Minutes of the Regular Meeting of the Medical University Hospital Authority of April 11, 2013.

Board Action: It was moved that the Minutes be approved. The motion was seconded, voted on and unanimously carried.

RECOMMENDATIONS AND INFORMATIONAL REPORTS OF THE PRESIDENT

OLD BUSINESS: None.

NEW BUSINESS:

Item 4. General Informational Report of the President.

Dr. Greenberg stated, in the interest of time due to graduation activities, there will be no presentation or report this morning.

Recommendation of Administration: That the report be received as information.

Board Action: Received as information.

Item 5. Other Business. None.

MEDICAL UNIVERSITY HOSPITAL AUTHORITY OPERATIONS, QUALITY AND FINANCE COMMITTEE. CHAIRMAN: DR. STANLEY C. BAKER, JR.

OLD BUSINESS: None.

NEW BUSINESS:

Item 6. Medical University Hospital Authority Status Report.

Statement: Dr. Pat Cawley updated the board on MUHA goals, MUSC Performance Excellence and telemedicine. The Service Pillar is currently in the red. The first two quarters were not good but the third quarter was much better and the beginning of the fourth quarter is much improved. The People Pillar is presently being measured so employee and physician satisfaction scores will be available at the next meeting. With all the financial planning and rollout communications he was doubtful there will be better employee satisfaction scores. The Quality Pillar reflects a lot of mortality data. The data lags and is only available through February so this will be monitored through the next several months. The most troublesome measure at the moment is readmissions but MUHA is working through strategies to improve in this area.

He reviewed MUSC Performance Excellence. He said the Huron project continues to progress and by the next meeting there will be more data to report.

There has been a lot of discussion about telemedicine so Dr. Cawley took the opportunity to update the board. There is a potential appropriation of \$8.4 million coming to MUHA from the state. The legislation is still being written and the board will be updated at the next meeting on any progress in this area.

Recommendation of Administration: That the report be received as information.

Board Action: Received as information.

Item 7. Resolution for the Refinancing of the Medical University Facilities Corporation Central Energy Plant (MUFC CEP).

Statement: Mr. Steve Hargett presented a resolution relating to the refinancing of the Central Energy Plant that was built to provide power for Ashley River Tower. HUD has asked for a couple of changes to be included in the resolution since the board

approved a similar resolution at the February meeting. The resolution will save MUHA about \$500,000 a year in interest expense and simplify reporting.

Recommendation of Administration: That the resolution be approved.

Board Action: A motion was made, seconded and unanimously voted to approve the resolution.

Item 8. MUSC Medical Center Financial and Statistical Report.

Statement: Mr. Hargett said the interim financial statement through March is included in the board agenda. MUHA is slightly ahead of budget due to a one-time \$7 million addition due to a cancellation of an investment agreement. That helped the income statement through March. It appears that April will also be a good month. The charges are strong so MUHA will exceed the budget for April and should hit the budgeted income by year end. The other good news is that the Medicaid program got caught up and MUHA received those monies in the past week. Also, the Treasurer's office closed the loan on the central Energy Plant and MUHA received \$10 million in funds so after payroll yesterday, MUHA had \$53 million in the bank.

Recommendation of Administration: That this report be received as information.

Board Action: Received as information.

Item 9. Report on Quality and Patient Safety.

Statement: Dr. Cassandra Salgado, Hospital Epidemiologist and Medical Director-Infection Control, provided an update on Infection Prevention and Control for the past twelve months. She shared a WIN for MUSC from the US Department of Health and Human Services and Critical Care Societies Collaborative. MUSC was recognized for outstanding achievement and leadership in the elimination of central line-associated bloodstream infection.

Dr. Salgado also reviewed the following: the Annual DHEC HAI Report; the Hospital Compare Data; Hand Hygiene Compliance; BBPE Data; and Research. She acknowledged continued challenges in the areas of CAUTI (catheter-associated urinary tract infections and VAP (ventilator-associated pneumonia infections). MUHA continues to work to improve in those areas.

Dr. Barton Sachs provided the results of the hospital survey on Patient Safety Culture. He stated LeapFrog publishes a survey of results of analysis for hospitals throughout the country and in South Carolina MUHA was the only hospital in the region that was rated an A. With regard to the culture of safety survey, Dr. Sachs said the hospital is dealing with a reporting culture; the culture of learning from the reports and how to deal with the reports and the information. He reported on ratings for 2013 as well as the overall plan for 2013.

Recommendation of Administration: That these reports be received as information.

Board Action: Received as information.

Item 10. Report of the Vice President for Medical Affairs and Dean, College of Medicine.

Statement: Dean Etta Pisano provided an update on the College of Medicine. It has been a week of celebration with the students graduating this week. She cited a WIN from the national Association of Epilepsy Centers which has recognized MUSC's Comprehensive Epilepsy Center as a Level 4 Center. She stated that with Pat Cawley as VP for Clinical Operations, the clinical enterprise has become very well-integrated with the Clinical Leadership Council which consists of senior leadership from MUHA, COM and MUSCP meeting on a weekly basis. Dean Pisano reviewed compensation plans; Match Data for Spring 2013; chair appointments; chair searches and the Hollings Cancer Center grant renewal application submission to the NIH/National Cancer Institute.

Recommendation of Administration: That the report be received as information.

Board Action: Received as information.

Item 11. Update on MUSC Physicians.

Statement: Dr. Phil Costello reported he was pleased to report Psychiatry and Behavioral Medicine are extending their services to Self Regional Healthcare in Greenwood. The departments will extend coverage both day, night and weekends mostly through telemedicine. Pediatric Cardiology is expanding with the addition of two new clinicians. One will serve in the Georgetown/Myrtle Beach area as well as the afterhours clinic in Mt. Pleasant. Also serving the southern part of the lowcountry will be another pediatric cardiologist with Lowcountry Medical and Palmetto Pediatrics. To support this expansion, MUSC Physicians will be purchasing two echo machines costing about \$70,000 each.

Recommendation of Administration: Recommend approval of the capital purchases.

Board Action: a motion was made, seconded and unanimously voted to approve the capital purchase.

Item 12. Legislative Update.

Statement: No report.

Recommendation of Administration: That this report be received as information.

Board Action: Received as information.

Item 13. Other Committee Business. None

Item 14. Medical University Hospital Authority Appointments, Reappointments and Delineation of Privileges (Consent Item).

Statement: An updated list of appointments, reappointments and delineation of privileges to the medical staff were presented for approval.

Recommendation of Administration: That the appointments, reappointments and delineation of privileges to the medical staff be approved.

Board Action: Dr. Baker moved that the list of appointments, reappointments and delineation of privileges to the medical staff be approved. The motion was seconded, voted on and unanimously carried.

Item 15. Medical Executive Committee Minutes (Consent Item).

Statement: Minutes of the Medical Executive Committee for were presented for information.

Recommendation of Administration: That this be received as information.

Board Action: The minutes of the Medical Executive Committee for March 2013 were received as information.

Item 16. Medical Center Contracts and Agreements (Consent Item).

Statement: Contracts and Agreements which have been signed since the last board meeting were presented for information.

Recommendation of Administration: That this be received as information.

Board Action: Received as information.

**MEDICAL UNIVERSITY HOSPITAL AUTHORITY PHYSICAL FACILITIES COMMITTEE.
CHAIRMAN: MR. WILLIAM H. BINGHAM, SR.**

OLD BUSINESS: None

NEW BUSINESS: Mr. Bingham announced that there will be IDC selections in August, October and December any board member wanting to serve on those selection committees should contact Mr. Bingham or Celeste Jordan.

Item 17. Facilities Procurements/Contracts.

Statement: Mr. Dennis Frazier presented two leases for approval:

- Lease for 5,430 square feet of clinical space located at the intersection of Ladson Road and Adams Avenue to provide space for the Children's Hospital, After Hours Care in the Summerville Area. The total cost of the lease including extended terms if \$1,400,239.06.

Recommendation of Administration: That the lease be approved.

Board Action: A motion was made, seconded and unanimously voted to approve the lease.

- Lease for 7,629 square feet of clinical space located at 1145 Johnnie Dodds Boulevard. The purpose of the lease is to provide space for the Therapeutic Services, Physical Therapy/Occupational Therapy in the Mount Pleasant Area.

Board Action: After discussion, the board did not approve the lease request until a business plan could be presented.

Item 18. Project Update.

Statement: No report.

Recommendation of Administration: That the report be received as information.

Board Action: Received as information.

Item 19. Other Committee Business. None

Item 20. Facilities Contracts Awarded (Consent Item).

Statement: Facilities Contracts awarded since the last meeting were presented for information.

Recommendation of Administration: That this be received as information.

Board Action: Received as information.

OTHER BUSINESS FOR THE BOARD OF TRUSTEES:

Item 21. Approval of Consent Agenda.

Statement: Approval of the Medical University Hospital Authority consent agenda was requested.

Recommendation of Administration: That the consent agenda be approved.

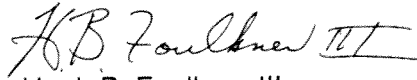
Board Action: It was moved, seconded and unanimously voted that the consent agenda be approved.

Item 22. New Business for the Board of Trustees. None

Item 23. Report from the Chairman.

There being no further business, the Medical University Hospital Authority meeting was adjourned and the University Board of Trustees meeting was convened.

Respectfully submitted,

A handwritten signature in cursive script that reads "H.B. Faulkner III". The signature is written in black ink and is positioned above the printed name and title.

Hugh B. Faulkner III
Secretary

HBF:wcj

**RESOLUTION OF THE BOARD OF TRUSTEE OF
MEDICAL UNIVERSITY HOSPITAL AUTHORITY
AUTHORIZING OBTAINING A COMMITMENT FOR
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SECTION 241
MORTGAGE INSURANCE TO SECURE THE FINANCING OF A PROJECT**

WHEREAS, Armadale Capital Inc. has applied on behalf of Medical University Hospital Authority (the "Hospital") to the United States Department of Housing and Urban Development (HUD), acting through the Federal Housing Administration (FHA), for a [select one]:

- Commitment for HUD Section 242 Mortgage Insurance.
- Commitment for HUD Section 241 Mortgage Insurance.
- Commitment for HUD Section 242/223(a)(7) Mortgage Insurance.

WHEREAS, the Board of Trustees of the Hospital wishes to acquire and finance the assets of Medical University Facilities Corporation Central Energy Plant, LLC ("MUFC CEP Project") for an amount not to exceed \$55,000,000.00.

WHEREAS, as a requirement to obtain HUD Mortgage Insurance for the project to be financed, the Hospital must agree to enter into a HUD Regulatory Agreement, satisfy the Conditions Prior to Initial Endorsement and to abide by certain required standard covenants (Attachment 1) hereto.

WHEREAS, the Board of Trustees for the Hospital has reviewed and considered the HUD Regulatory Agreement, Conditions Prior to Initial Endorsement and the required standard covenants attached to this Resolution as Attachment 1 and their impact on the Hospital.

WHEREAS, the Board of Trustees for the Hospital has reviewed the list of property, equipment, revenues, assets, and deposit accounts that will be used as security for the HUD-insured mortgage (attached as a part of Attachment 1).

WHEREAS, on February 7, 2013, the Board of Trustees for the Hospital approved a Resolution authorizing the Hospital to obtain a commitment for the US Department of Housing and Urban Development Section 241 Mortgage Insurance to secure the financing of for the MUFC CEP Project (the "Prior Resolution").

WHEREAS, the Board of Trustees has determined to withdraw and replace the Prior Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees for the Hospital, as follows:

SECTION 1. The Resolution entered into on or about February 7, 2013 authorizing the Hospital to obtain a commitment for the US Department of Housing and Urban Development Section 241 Mortgage Insurance to secure the financing of the MUFC CEP Project is hereby withdrawn.

SECTION 2. The Board of Trustees for the Hospital has reviewed and agrees with the pro forma analysis provided and wishes to acquire and finance the MUFC CEP Project for an

amount not to exceed \$55,000,000.00 and in accordance with the Option to Purchase attached hereto as Attachment 2.

SECTION 3. The Board of Trustees for the Hospital hereby finds and determines that obtaining HUD Section 241 Mortgage Insurance for the MUFC CEP Project to be financed is in the best financial interest of the Hospital and, accordingly, hereby approves and authorizes obtaining HUD Section 241 Mortgage Insurance for such project.

SECTION 4. The Board of Trustees for the Hospital hereby finds and determines the HUD Regulatory Agreement, Conditions Prior to Initial Endorsement and the required standard covenants attached hereto as Attachment 1 to be acceptable and agrees to abide by their terms and conditions (as such terms and conditions may be modified prior to the closing for the Section 241 Mortgage Insurance with the agreement of FHA and an Authorized Officer (as defined herein) of the Hospital) if a Commitment for HUD Section 241 Mortgage Insurance is received.

SECTION 5. The Board of Trustees for the Hospital hereby agrees that Attachment 1 attached to this Resolution includes all necessary exhibits to accurately reflect all property, equipment, revenues, assets, and deposit accounts that will be serve as security for the HUD-insured mortgage.

SECTION 6. In the interests of timely addressing all issues with respect to the HUD Section 241 Mortgage Insurance, the Board of Trustees for the Hospital hereby authorizes and delegates to the President, VP for Clinical Affairs and Executive Director and Chief Financial Officer (each an "Authorized Officer"), either individually or collectively, the authority to take such actions, make such determinations, enter into such agreements and execute such documents as may be necessary or advisable in order obtain a commitment for HUD Section 241 Mortgage Insurance, including but not limited to, binding the Hospital to abide by, the HUD Regulatory Agreement and the required standard covenants set forth in Attachment 1 hereto.

SECTION 7. The Board of Trustees for the Hospital hereby authorizes and delegates to an Authorized Officer the development of the terms of any acquisition and financing for the MUFC CEP Project to be secured by the commitment for HUD Section 241 Mortgage Insurance, including but not limited to the negotiation, execution, delivery and performance, on behalf of the Hospital, of any and all documents as are necessary to effectuate such financing, or any other documents such Authorized Officer, with advice of counsel, deems necessary or advisable to effectuate the transactions described in this Resolution;

SECTION 8. The Board of Trustees for the Hospital hereby authorizes and delegates to an Authorized Officer the authority to enter into and execute contracts on behalf of the Hospital to retain such contractors as such Authorized Officer, with the advice of counsel, shall deem necessary or advisable to carry out the purposes and intent of the HUD Mortgage Insurance and Commitment, the financing of the MUFC CEP Project and this Resolution.

SECTION 9. Ratifies, confirms and approves as the acts and deeds of the Hospital, any actions taken by an Authorized Officer prior to the date of this Resolution that are within the authority conferred hereby.

Adopted by the Board of Trustees of Medical University Hospital Authority this 16th day of May, 2013.

MEDICAL UNIVERSITY HOSPITAL
AUTHORITY BOARD OF TRUSTEES


By: _____

Its: Chairman


By: _____

Its: Secretary

FHA FORM NO. 2466-GP
(rev. 12/71)

REGULATORY AGREEMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

SECTION 242 NONPROFIT HOSPITALS

Project No. 054-13003

Mortgagee THE BANK OF NEW YORK

Amount of Mortgage Note \$401,158,000.00

Date: as of December 22, 2004

Mortgage Recorded: State: South Carolina County: Charleston Date: December 21, 2004

This Agreement entered into as of the 22nd day of December, 2004, between MEDICAL UNIVERSITY HOSPITAL AUTHORITY, an agency of the State of South Carolina, whose address is 135 Cannon Street, Suite 101, Charleston, South Carolina 29403, hereinafter called Mortgagor, and the undersigned Secretary of Housing and Urban Development (hereinafter referred to as Secretary).

In consideration of the endorsement for insurance by the Secretary of the above described Note or in consideration of the consent of the Secretary to the transfer of the mortgaged property, and in order to comply with the requirements of the National Housing Act and the Regulations adopted by the Secretary pursuant thereto, the Mortgagor agrees for itself, its successors and assigns, and any owner of the mortgaged property, that in connection with the mortgaged property and the project operated thereon and so long as the Contract of Mortgage Insurance continues in effect, and during such further period of time as the Secretary and his successors shall be the holder or reinsurer of the Mortgage:

(1) It shall promptly make all payments due under the Note and Mortgage, and shall hold the Secretary harmless under his Contract of Mortgage Insurance.

~~(2) (a) It will establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the Mortgagee _____ or in a safe and responsible depository designated by the Mortgagee, concurrently with the beginning of payments toward amortization of the principal of the Mortgage insured or held by the Secretary of an amount equal to \$ _____ per month unless a different date or amount is approved in writing by the Secretary. Such fund, whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America shall at all times be under the control of the Mortgagee. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements, and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the Secretary. In the event of a default in the terms of the Mortgage, pursuant to which the loan has been accelerated, the Secretary may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated.~~

~~(b) Where Mortgagor is acquiring a project already subject to an insured mortgage, the reserve fund for replacements to be established will be equal to the amount due to be in such fund under existing agreements or charter provisions at the time Mortgagor acquires such project, and payment hereunder shall begin with the first payment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund is approved in writing by the Secretary.~~

(3) The real property covered by the mortgagee (and this agreement is described in Exhibit "A" attached hereto.

* This section is not applicable to §242 nonprofit hospitals and should be deleted.

without cause, upon written request by the Secretary addressed to the Mortgagor and the management agent. Upon receipt of such request the Mortgagor shall immediately terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Secretary for continuing proper management of the project.

(c) It shall make no payment for services, supplies, or materials unless such services are actually rendered for the project or such supplies or materials are delivered to the project and are reasonably necessary for its operation. Payments for such services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.

(d) The mortgaged property, equipment, building plans, office apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall be subject to examination and inspection at any reasonable time by the Secretary or his duly authorized agents; the Mortgagor shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Secretary or his duly authorized agents.

(e) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Secretary.

(f) Within 60 days following the end of each fiscal year the Secretary shall be furnished with a complete annual financial report based upon an examination of the books and records of mortgagor prepared in accordance with the requirements of the Secretary, certified to and by an officer of the Mortgagor and, when required by the Secretary, prepared and certified by a Certified Public Accountant, or other person acceptable to the Secretary.

(g) At the request of the Secretary, his agents, employees, or attorneys, the Mortgagor shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, and condition of the property and the status of the insured mortgage and any other information with respect to the Mortgagor or the mortgaged property and of the project which may be requested.

(h) Except as required by the Department of Housing and Urban Development Supplementary Agreement as to Mortgage Reserve Fund and Other Conditions of even date between Mortgagor and the Department of Housing and Urban Development ("HUD") or its agent, all receipts of the project shall be deposited in the name of the project in a bank, whose deposits are insured by the United States or an agency or instrumentality thereof. Such funds shall be withdrawn only in accordance with the provisions of this agreement for expenses of the project. Funds of the project shall be immediately deposited in the project bank account and failing to do so in violation of this Agreement such funds shall be deemed to be held in trust. Property of the project received in violation of this Agreement shall be immediately delivered to the project and failing to do so, such property shall be deemed to be held in trust.

(i) Mortgagor or its lessee shall at all times, if required by the laws of the jurisdiction, maintain in full force and effect a license to operate the project from the state and/or other licensing authority. Mortgagor shall not lease all or part of the project except on terms approved by the Secretary.

~~(10) The Mortgagor shall make its project and services, if any, available to eligible occupants at charges approved in writing by the Secretary. Such charges shall be subject to annual review by the Secretary. If the Secretary determines in his review that some adjustment (either upward or downward) of charges is required, the Mortgagor shall immediately comply with such requirements.~~

~~*(11) (a) The Mortgagor shall be required to suitably equip the project for group practice operations; Mortgagor agrees to perform all obligations of any chattel mortgage, conditional sale, lease or lease-purchase agreement, or other type of financing arrangement designed to acquire equipment for the project. Any plan for the acquisition of equipment (other than outright purchase) must be approved in writing by the mortgagor and the Secretary and shall contain provision extending to the mortgagor, its successors or assigns, the option to assume such financing (or leasing) obligation of the Mortgagor upon default; further, such financing (or leasing) arrangement shall require the~~

* This section is not applicable to §242 nonprofit hospitals and should be deleted.

(a) "Mortgage" includes "Deed of Trust", "Chattel Mortgage", and any other security for the Note identified herein, and endorsed for insurance or held by the Secretary:

(b) "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;

(c) "Mortgaged Property" includes all property, real, personal, or mixed, covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Secretary:

(d) "Project" includes the mortgaged property and all its other assets of whatsoever nature or wheresoever situate, used in or owned by the business conducted on said property:

(e) "Distribution" means any withdrawal or taking of cash or other assets of the project other than for mortgage payments or for payment of reasonable expenses incident to its construction operation and maintenance;

(f) "Default" means a default declared by the Secretary when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Secretary after written notice;

(g) "Residual Receipts" means any cash remaining after:

(1) the payment of:

(i) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Secretary of Housing and Urban Development;

(ii) All amounts required to be deposited in the reserve fund for replacements;

(iii) All obligations of the project other than the mortgage insured or held by the Secretary unless funds for payment are set aside or deferment of payment has been approved by the Secretary; and

(2) The segregation of:

(i) An amount equal to the aggregate of all special funds required to be maintained by the project;

(ii) All tenant security deposits held;

(h) "Group practice facility" means an establishment designed for operation primarily by a medical or dental group which provides preventive, diagnostic, and treatment service to ambulatory patients under professional supervision of persons licensed to practice dentistry, medicine, or optometry;

(i) "Hospital" means a facility --

(1) Which provides community service for inpatient medical care of the sick or injured, including obstetrical care;

(2) Where not more than 50 percent of the total patient days during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

(3) Which is owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure to the benefit of any private shareholder or individual.

ACKNOWLEDGEMENT

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHARLESTON)

I, the undersigned Notary Public for the State of South Carolina, do hereby certify that W. Stuart Smith, personally appeared before me this day and, in the presence of the two witnesses above named, acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this 20 day of December, 2004.

William C Helms III (SEAL)
Notary Public for South Carolina
My Commission expires: 5-24-2011

ACKNOWLEDGEMENT

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHARLESTON)

I, William C Helms III a Notary Public in and for the State of South Carolina, do certify that on the 21 day of December, 2004, before me personally appeared GLENDA FESPERMAN to me personally known and the person who executed the foregoing Regulatory Agreement bearing even date herewith, by virtue of the authority vested in him by CFR 200.119, and acknowledged that he executed the aforesaid instrument for and on behalf of the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner for the purpose therein expressed.

Witness my hand and seal this 21 day of December, 2004.

William C Helms III (SEAL)
Notary Public for South Carolina
My Commission expires: 5-24-2011

Prepared by:

Roderick D. Owens, Esq.
Krooth & Altman LLP
1850 M Street, N.W., Suite 400
Washington, D.C. 20036

23. Corporate Distribution of Assets

Assets, including cash, may be distributed to other organizations affiliated with the Mortgagor, or a parent organization with which the Mortgagor is also affiliated, without the Secretary's approval, if the following conditions are met:

- a. Completion and cost certification of the Section 242 project financed with the proceeds of the Note.
- b. Mortgage payments for the preceding 12 months have been made when due, including any grace period.
- c. There is a Debt Service Coverage Ratio greater than or equal to 1.50 as of the date of distribution.
- d. Days in Accounts Receivable are less than or equal to 80 as of the date of the distribution.
- e. Days in Accounts Payable are less than or equal to 80 as of the date of the distribution.
- f. The Mortgage Reserve Fund and the Special Reserve Fund are compliant with the scheduled balance as of the date of the distribution.
- g. All income, property, and statutory employer payroll taxes and employee payroll withholding contributions have been deposited as required as of the date of the distribution.
- h. The Current Ratio is greater than or equal to 1.50 after the distribution.
- i. Days of cash on hand are greater than or equal to 15 days after the distribution.

Distributions may occur twice a year. A distribution may occur upon receipt of the prior year's audited financial statements with the figures in those statements used to determine the amount of the distribution. If the prior year's audited statements permitted the first distribution, a second distribution can occur upon completion of internal statements for six months of operations with the figures in those statements used to determine the amount of the second distribution, subject to the restriction that the actual distribution shall not exceed 75% of the otherwise permitted distribution.

Notwithstanding the foregoing, the Mortgagor shall maintain cash and cash equivalents to constitute 21 days of cash on hand commencing January 1, 2005, through and until all amounts due and owing on the Note and the Mortgage have been paid in full prior to making any distribution to funds either designated by the Mortgagor's Board of Trustees or otherwise restricted. The foregoing restriction shall not apply to deposits made by the Mortgagor to the MRF or the SRF.

When distributions are made, a certificate, signed by the mortgagor's Board Chairperson, Chief Executive Officer and Chief Financial Officer, stating the maximum amount of the possible distribution, the actual amount of the distribution, and that the above restrictions were satisfied will be provided to the hospital's account executive.

This covenant does not permit a "surplus cash" note without the prior written permission of the Secretary. A "surplus cash" note defined as note that requires or permits principal repayments only when there is cash available by satisfying items a - i above.

24. New Corporations, Subsidiaries, and Affiliations

The Mortgagor will not establish, develop, organize, acquire, become the sole member of, or acquire and interest sufficient to require disclosure on the audited financial statements of the Mortgagor, in any corporation, subsidiary, or affiliate organization other than those with which the Mortgagor was affiliated as of the date of the Application for the Contract of Mortgage Insurance was submitted to the Secretary, without the prior approval of the Secretary.

30. Energy Center

MUFC CENTRAL ENERGY PLANT, LLC, a South Carolina limited liability company, ("MUFC CEP") has agreed to construct an Energy Center (the "Energy Center") on certain land owned in fee simple by Mortgagor and more specifically described in Exhibit "B" attached hereto (the "CEP Parcel"). Construction of the Energy Center shall be financed from the proceeds of certain revenue bonds issued by the South Carolina Jobs - Economic Development Authority (the "SC Bonds") under an Indenture dated as of December 1, 2004, and loaned to MUFC CEP pursuant to a Loan Agreement dated as of December 1, 2004. The SC Bonds shall be credit enhanced pursuant to the terms of that certain Letter of Credit Agreement and Reimbursement Agreement (the "CEP Reimbursement Agreement") dated as of December 1, 2004, among MUFC CEP, HSH Nordbank AG, New York Branch, as Collateral Agent, Administrative Agent and Arranger, various financial institutions as lenders thereunder, and Bank of America, N.A., as Issuing Bank. In connection with such SC Bonds financing and the construction contemplated thereby, the following provisions shall be applicable:

- (a) Notwithstanding anything to the contrary in this Agreement, the Mortgage, and any other document required by the Secretary to be executed in connection with the Mortgage, Mortgagor shall be permitted to enter into and perform the following documents (collectively, the "CEP Documents"):
- (1) that certain Lease Agreement, in which the CEP Parcel is leased, dated as of December 1, 2004, between Mortgagor, as landlord, and MUFC CEP, as tenant;
 - (2) that certain Energy Service Agreement dated as of December 1, 2004, between Mortgagor and MUFC CEP;
 - (3) that certain Maintenance and Operating Agreement dated as of December 1, 2004, between Mortgagor and MUFC CEP; and
 - (4) that certain Construction Services Agreement dated as of December 1, 2004, between Mortgagor and MUFC CEP.
- (b) Mortgagor hereby agrees to complete and construct the Energy Center, as more fully defined in and as required by the CEP Documents, if MUFC CEP fails to complete construction thereof or is otherwise in default under the CEP Documents.
- (c) If, during the term of the Mortgage, the Energy Center is partially or fully damaged, destroyed or is subject to any condemnation or other taking, or conveyance in lieu thereof, whether direct or indirect, and MUFC CEP fails to timely repair or rebuild the Energy Center so that the services required to be provided in the CEP Documents are disrupted, Mortgagor shall immediately commence repairing, replacing or rebuilding such damaged, destroyed or taken Energy Center pursuant to the terms of the Mortgage delivered this date as if the Energy Center were encumbered by the lien thereof. MUFC CEP agrees that immediately upon its receipt of any insurance benefits or condemnation awards it will exercise any and all rights that it has under the CEP Documents to rebuild the Energy Center if so directed by Mortgagor or the Secretary.
- (d) Mortgagor, as fee owner of the CEP Parcel, hereby agrees that not later than 30 days after the repayment in full of the SC Bonds and the satisfaction of all of MUFC CEP's obligations under the CEP Reimbursement Agreement, as evidenced by a written acknowledgement from the Administrative Agent (as defined in the CEP Reimbursement Agreement), that it will:
- (1) terminate the Lease referenced in subsection (a)(1) above; and
 - (2) record in the land records of Charleston County, SC, a Collateral Security Mortgage that encumbers the CEP Parcel, such mortgage to be a first lien against the CEP Parcel at the time of recording. If, at the time of recording of the

Days in Accounts Payable equal: Accounts Payable plus Accrued Expense (not including accrued Salaries and Benefits) divided by Supplies and Other Expenses (not including Depreciation Expense, Interest Expense, Bad Debt Expense, or Salaries and Benefits Expense) then times 365.

Total Operating Revenue equals: Net Patient Service Revenue + Other Operating Revenue

The covenants, warranties and certifications, in Sections 20 through 30 above, are and shall be interpreted solely as obligations of the Mortgagor to the Secretary or its agent. Notwithstanding the right of the Secretary or its agent to declare otherwise, noncompliance with these covenants by the Mortgagor shall not be interpreted, in and of itself, as a default except as otherwise specifically required by any loan document between the Mortgagor and the Mortgagee. Accordingly, the insured Mortgagee shall not be responsible for the enforcement of these covenants.

These covenants do not in any way restrict or otherwise affect the responsibilities, rights and remedies of any other party with respect to the loan documents, including the right of the insured Mortgagee to obtain mortgage insurance benefits under the insured note.

ATTACHMENTS:

Exhibit "A" – Legal Description Mortgage Site

Legal Description, Enhanced Use Lease Parcel, Commitment 92.529:
Tax Map No. 460-14-00-018

All that lot, parcel or tract of land situate in the City of Charleston, Charleston County, South Carolina, and designated as TMS 460-14-00-018, as shown on a plat by 2AD Surveying Co., Inc. dated November 13, 2004, last revised November 20, 2004, said plat being an ALTA/ACSM Land Title Survey of the Doughty Street – VMAC property, 75 year Enhanced Use Lease Parcel being described as follows:

Commencing at an "X" in concrete located at the intersection of the western right-of-way of Courtenay Drive and the southern right-of-way of Bee Street; thence running along said western right-of-way of Courtenay Drive, in a southeasterly direction S14-02-54E for a distance of 456.90' feet to a PK nail, thence continuing in a southeasterly direction along said western right-of-way of Courtenay Drive S14-02-54E for a distance of 60.00' feet to a calculated point; thence continuing in a southeasterly direction along the western right-of-way of Courtenay Drive S14-02-54E for a distance of 92.93' feet to a PK nail; thence turning and running in a southwesterly direction S30-41-47W (depicted on this plat as L10) for a distance of 14.21' feet to a PK nail, said PK nail being the True Point of Beginning;

Thence turning and running in a southwesterly direction S75-26-30W for a distance of 408.36' feet to a PK nail; thence turning and running in a southeasterly direction S14-04-32E (depicted on this plat as L23) for a distance of 50.00' feet to an iron pin set; thence turning and running in a northeasterly direction N75-29-39E (depicted on this plat as L24) for a distance of 32.88' feet to a calculated point; thence continuing in a northeasterly direction N75-29-39E (depicted on this plat as L25) for a distance of 16.75' feet to an iron pin set; thence continuing in a northeasterly direction N75-29-39E (depicted on this plat as L27) for a distance of 55.49' feet to an iron pin found; thence continuing in a northeasterly direction N75-29-39E for a distance of 135.60' feet to an iron pin found; thence continuing in a northeasterly direction N83-08-38E (depicted on this plat as L5) for a distance of 30.79' feet to an iron pin found; thence continuing in a northeasterly direction N75-22-56E for a distance of 121.76' feet to an iron pin found; thence continuing in a northeasterly direction N75-22-56E (depicted on this plat as L9) for a distance of 25.34' feet to a PK nail set; thence turning and running in a northwesterly direction N14-04-42W for a distance of 54.19' feet to a PK nail set; thence turning and running in a southwesterly direction S75-26-28W (depicted on this plat as L11) for a distance of 10.00' feet to a PK nail, said PK nail being the True Point of Beginning.

Said Enhanced Use Lease Parcel containing 0.50 acres

This being the same property in which a leasehold estate is created by that document by and between the Secretary of Veterans Affairs and the Medical University Hospital Authority dated May 14, 2004, identified as "Enhanced – Use Lease of Certain Real Property at the Ralph H. Johnson VA Medical Center, Charleston, South Carolina", recorded in the RMC Office for Charleston County on December 10, 2004 (Book and Page to be assigned).

Legal Description, Parcel D-2, Commitment 92.529:
Tax Map No. 460-14-00-023

All that lot, parcel or tract of land situate in the City of Charleston, Charleston County, South Carolina, and designated as Parcel D-2, as shown on a plat by 2AD Surveying Co., Inc. dated November 13, 2004, last revised November 20, 2004, said plat being an ALTA/SCSM Land Title Survey of MUSC Medical Complex Parcels D-1 containing 2.23 acres and Parcel D-2 containing 3.51 acres. Said Parcel D-2 being described as follows:

Commencing at an iron pin found located at the intersection of the western right-of-way of Courtenay Drive and the southern right-of-way of Doughty Street-VMAC property. Thence turning and running along said right-of-way of Courtenay Drive in a southeasterly direction S14-04-47E for a distance of 237.37' to a calculated point, thence continuing in a southeasterly direction along said right-of-way of Courtenay Drive S14-04-47E (depicted on this plat as L36) for a distance of 38.05' feet to an iron pin set, said iron pin set being the True Point of Beginning:

Thence continuing along said right-of-way of Courtenay Drive in a southeasterly direction S14-04-47E for a distance of 427.53' feet to an iron pin set, said iron pin set being the northern right-of-way of Calhoun Street; thence turning and running in a southwesterly direction along said right-of-way of Calhoun Street S32-08-17W (depicted on this plat as L12), for a distance of 20.76' feet to an iron pin set; thence continuing along said right-of-way of Calhoun Street in a southwesterly direction S78-21-21W for a distance of 99.95' feet to an iron pin set; thence continuing along said right-of-way of Calhoun Street in a southwesterly direction S86-37-00W for a distance of 310.94' feet to an iron pin set; thence turning and running in a northwesterly direction N03-20-56W (depicted on this plat as L3) for a distance of 15.00' feet to an iron pin set, said iron pin set being on the eastern line of McClennan-Banks Court, a restricted ingress/egress easement; thence continuing along the eastern line of said restricted ingress/egress easement along a curve to the left depicted on this plat as C5, with a radius of 50.00' feet, a chord distance of 75.69' feet along a chord bearing of N37-25-32E, to an iron pin set; thence continuing along said restricted ingress/egress easement in a northwesterly direction N11-45-56W for a distance of 221.58' feet to an iron pin set; thence continuing along said restricted ingress/egress easement in a northwesterly direction N11-45-56W for a distance of 90.91' feet to an iron pin set; thence turning and running in a northeasterly direction N68-11-27E for a distance of 110.48' feet to an iron pin set; thence continuing in a northeasterly direction N73-16-43E (depicted on this plat as L37) for a distance of 34.39' feet to an iron pin set; thence continuing in a northeasterly direction N78-55-30E for a distance of 202.18' feet to an iron pin set, said iron pin set being the True Point of Beginning.

Said Parcel D-2 contains 3.51 acres

This being a portion of the same property conveyed to The Medical University Hospital Authority by deed of Charleston County, dated June 26, 2001, recorded in the RMC Office for Charleston County on July 16, 2001 in Book Y 376 at Page 798.

Legal Description, Parcel C-2, Commitment 92.529:
Tax Map No. 460-14-00-022

All that lot, parcel or tract of land situate in the City of Charleston, Charleston County, South Carolina, and designated as Parcel C-2, as shown on a plat by 2AD Surveying Co., Inc. dated November 13, 2004, last revised November 20, 2004, said plat being an ALTA/ACSM Land Title Survey of MUSC Medical Complex Parcel C-2, said Parcel C-2 being described as follows:

Commencing at an iron pin found located at the intersection of the western right-of-way of Courtenay Drive and the southern right-of-way of Doughty Street/VMAC property, thence along said right-of-way of Doughty Street/VMAC property in a southwesterly direction S75-22-56W for a distance of 121.76' feet to an iron pin found; thence continuing in a southwesterly direction along said right-of-way, S83-08-38W for a distance of 30.79' feet to an iron pin found; thence continuing in a southwesterly direction S75-29-39W for a distance of 135.60' feet to an iron pin set, said iron pin set being the True Point of Beginning:

Thence turning and running in a southwesterly direction S30-23-18W for a distance of 52.61' feet to an iron pin set; thence turning and running in a southeasterly direction along a curve to the right, depicted as C2, with a radius of 3968.42', a chord distance of 200.78' feet, along a chord bearing of S13-12-55E, to an iron pin set; thence continuing in a southeasterly direction S11-45-56E, for a distance of 59.73' feet to an iron pin set; thence continuing in a southeasterly direction S11-45-56E for a distance of 90.91' feet to an iron pin set; thence turning and running in a southwesterly direction S78-13-50W (depicted as L39) for a distance of 35.00' feet to an iron pin set; thence turning and running in a northwesterly direction N11-45-56W for a distance of 150.64' feet to an iron pin set; thence continuing in a northwesterly direction along a curve to the right, depicted as C3, with a radius of 3933.42' feet, a chord distance of 196.37' feet, and a chord bearing of N13-11-45W, to an iron pin set; thence continuing along a curve to the right, depicted as C4, with a radius of 3933.42' feet, a chord distance of 2.66' feet, along a chord bearing of N14-38-44W, to a calculated point; thence continuing in a northwesterly direction N14-39-54W (depicted as L26) for a distance of 37.35' feet to an iron pin set, thence turning and running in a northeasterly direction N75-29-39E for a distance of 72.24' feet to an iron pin set, said iron pin set being the True Point of Beginning.

Said Parcel C-2 containing 0.33 acres

This being the same property conveyed to Medical University Hospital Authority by deed of Charleston County, dated July 27, 2004, recorded in the RMC Office for Charleston County on August 19, 2004 in Book H 506 at Page 263.

Exhibit "B"
Legal Description for Energy Center

Legal Description, Parcel A-1, Commitment 92.529B
Tax Map No. 460-10-04-040

All that lot, parcel or tract of land situate in the City of Charleston, Charleston County, South Carolina and designated as Parcel A-1, as shown on a plat by 2AD Surveying Co., Inc. dated November 13, 2004 last revised November 20, 2004, said plat being an ALTA/ACSM Land Title Survey of MUSC Medical Complex Parcel A-1, said Parcel A-1 being described as follows:

Commencing at an iron pin set located at the intersection of the eastern right-of-way of Cherry Street and the northern right-of-way of Bee Street, said iron pin set being the true point of beginning:

Thence turning and running northwesterly along said right-of-way of Cherry Street N13-55-05W for a distance of 295.54' feet to an iron pin set; thence turning and running in a northeasterly direction N35-09-30E for a distance of 39.68' feet to an iron pin set, said iron pin being at the intersection of the right-of-way of Cherry Street and Cannon Street; thence continuing in a northeasterly direction, N73-57-10E for a distance of 200.58' feet to an iron pin set; thence turning and running in a southeasterly direction, S14-12-54E, for a distance of 329.09' feet to an iron pin set, said iron pin set being on the northern right-of-way of Bee Street; thence turning and running in a southwesterly direction S76-06-31W for a distance of 231.17' feet to an iron pin set, said iron pin set being the true point of beginning.

Being the same property conveyed to Medical University Hospital Authority by deed of Medical University of South Carolina dated December 1, 2004 and recorded December 6, 2004 in Book H 518 at Page 088 in the RMC office for Charleston County.

Said Parcel A-1 containing 1.71 acres

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- e. [Optional] Deliver a separate packet of construction related documents shall be submitted to the HUD Office of Healthcare Programs Office of Architecture and Engineering.

3. Confirmation of Property

Warrant that the items to be identified as collateral for the HUD Insured Mortgage, include all of the property (land, buildings, and fixed and moveable equipment) of the Mortgagor, its subsidiaries, and controlled organizations.

4. Maintenance of Integrity of Collateral and Project

Refrain from the following actions, unless permitted by HUD:

- a. Transferring any assets outside of the Mortgagor corporation;
- b. Loaning any money to any other organization;
- c. Making any investment in any other organization (including affiliated companies);
- d. Incurring any debt or obligation other than trade payables in the ordinary course of business;
- e. Guaranteeing the debts of any other organization; and
- f. Reorganizing its corporate structure (including the creation of parent, subsidiary, or affiliate organizations).

5. Capitalized Interest

- a. Provide an updated capitalized interest draw schedule that clearly shows when each phase of the project is expected to start and finish no less than ten (10) business days prior to the Initial Endorsement.
- b. Ensure any additional payments that may be required as a result of cost overruns be made with cash equity and not from mortgage proceeds.

6. Reporting Requirements

On a monthly basis until Initial Endorsement, provide its monthly interim financial statements and utilization statistics to HUD no later than thirty (30) days after the close of the period.

7. Governing Documents

Take the necessary action to amend its By-Laws to include subparagraphs (a) through (e) below prior to Initial Endorsement. Mortgagor's By-Laws must be amended to expressly indicate that:

- a. The Authority shall provide on a nonprofit basis hospital facilities and services for the care and treatment of persons who are acutely ill who otherwise require medical and related services of the kind customarily furnished most effectively by hospitals, pursuant to Section 242 of the National Housing Act, as amended.

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APPROVAL COVENANTS
FOR HUD SECTION 242 MORTGAGE INSURANCE
Medical University Hospital Authority ("MORTGAGOR")
FHA Project No. XXX
July 24, 2012

A. Special Conditions

1. **Non-Interference By Parent**

The Parent must execute a non-interference agreement with the Mortgagor at Initial Endorsement. The non-interference agreement may be executed as an amendment to the Regulatory Agreement or as a separate document. The following areas must be included in the agreement:

- a. Parent acknowledges the duties and obligations of the Mortgagor under the Loan Documents and warrants, represents, and agrees that Parent shall not take any action nor fail to take any action, including, without limitation, interfering with the day-to-day operations of the Mortgagor and/or the Project, which would directly or indirectly cause the Mortgagor to violate the terms of the Loan Documents, and
- b. Parent shall not without prior HUD approval take any action or knowingly fail to take any action if such action or failure to take action, would cause a transfer of assets of the Mortgagor other than as permitted in the Regulatory Agreement, and
- c. Parent shall not take any action or knowingly fail to take any action if such action or failure to take action would impair the ability of the Mortgagor to meet its obligations, under the Loan Documents, and
- d. HUD shall have all rights in law and equity to enforce this Agreement against Parent. HUD shall also have the right to exercise all enforcement rights and remedies set forth and/or inferred in the Loan Documents against the Mortgagor without interference by Parent.

2. **Replacement of Previous Covenants**

The Regulatory Agreements and supplemental agreements executed by the Mortgagor and HUD in connection with HUD Project No. 054-13003 are replaced with Sections B through D of these covenants.

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Mortgagor shall deliver at Initial Endorsement, a statement that there are no cross default provisions in any agreement undertaken by or with an Affiliate of the Mortgagor that would cause a default on the part of the Mortgagor if the Affiliate were to default on its obligations.

2. Deposit Accounts Control Agreement

- a. Mortgagee shall ensure the DACA delivered by Mortgagor to Mortgagee at Initial Endorsement is in compliance with applicable state law and the state's Uniform Commercial Code.
- b. At Initial Endorsement, Mortgagor shall:
 - i. Obtain a DACA to perfect Mortgagee's security interest in all Deposit Accounts held by Mortgagor;
 - ii. Certify that each of its Deposit Accounts is subject to the DACA executed by Mortgagor, Mortgagee, and Mortgagor's depository institution(s);
 - iii. Covenant that any new Deposit Account shall be made subject to a DACA;

4. **Completion of Final Endorsement**

- a. Mortgagor shall complete Final Endorsement within 180 days from commencement of amortization.
- b. If Mortgagor does not complete Final Endorsement within 180 days from commencement of amortization, then Mortgagor shall submit to HUD a Board-approved timetable outlining tasks and dates necessary to achieve Final Endorsement.
- c. The Board-approved timetable shall be updated and approved on a quarterly basis after original submission until Final Endorsement is achieved. The updated timetables shall be submitted to HUD along with the interim financial statements of the Hospital.

E. Conditions to be Included in a Rider to the HUD Regulatory Agreement

The following provisions are added to the end of the Regulatory Agreement which this Rider I is attached to (together, the “**Regulatory Agreement**”). Capitalized terms shall have the definition given those terms in Section E.43 Definitions of these Covenants or elsewhere in this Rider I. Any capitalized terms not otherwise defined in Section E.43 Definitions of these Covenants or elsewhere in this Rider I shall have such meaning given said term in the Regulatory Agreement to which this Rider I is attached.

20. Current and Future Property

- a. All current or future properties (which includes both personal property and real property) and revenues of Mortgagor, including accounts receivable and health care insurance receivables, derived from any sources shall be considered part of the Mortgaged Property and subject to all provisions of the Regulatory Agreement, except:
 - i. Donations specifically restricted by donors; and
 - ii. Any other items of real or personal property approved by HUD to be specifically excluded from the HUD-Insured Mortgage and Security Agreement securing the HUD-Insured Note and described in **Exhibit A**.
- b. After Acquired Property
 - i. All property acquired by Mortgagor [and its Affiliates if required] after the date of the HUD-Insured Mortgage shall be considered After Acquired Property and part of the Mortgaged Property, subject to all provisions of the HUD Regulatory Agreement, except:
 - a. Property may be temporarily exempt from this section for the purposes of securing Additional Debt (as described in Section E.28 Additional Indebtedness and Leasing of these Covenants) if approved by HUD prior to acquisition of said property or if HUD approval for such Additional Debt is not required pursuant to Section E.28. If

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in the area where the services are rendered or the property is furnished/acquired.

- b. Payment for any service provided by Mortgagor to an Excluded-Affiliate must be received within ninety (90) days. If timely payments are not received, then Mortgagor must cease providing services to that Excluded-Affiliate until the Excluded-Affiliate brings current the account for those services that are ninety (90) days past due), unless such payment is permitted pursuant to Section E.23 Corporate Distribution of Assets of these Covenants.

23. Corporate Distribution of Assets

- a. Notwithstanding Sections 4 and 9(a) of the Regulatory Agreement, Mortgagor may distribute assets to other organizations affiliated with Mortgagor (including related business activities as described in Section 9(a) of the Regulatory Agreement), its Parent, and/or stockholders with prior HUD approval.
- b. Mortgagor may distribute assets without prior HUD approval to Excluded-Affiliates; and/or stockholders if the following conditions are met:
 - i. Final Endorsement of the HUD-Insured Note has occurred;
 - ii. For the preceding 12 months, Mortgagor has made the required monthly payments for the HUD-Insured Mortgage on or before the due date of the payment, including any grace period;
 - iii. The MRF is fully funded as of the date of the distribution in conformity with the MRF schedule;
 - iv. All taxes and employee payroll contributions (including penalties and interest if applicable) have been deposited as required; and
 - v. The Mortgagor meets the following guidelines in both the Most Recent Audited Financial Statements and immediately after the date of distribution:
 - 1. DSCR greater than or equal to 1.50,
 - 2. Days in Accounts Receivable less than or equal to 80 days,
 - 3. Average Payment Period less than or equal to 80 days,
 - 4. Current Ratio is greater than or equal to 1.50,
 - 5. Enhanced Days of Cash on Hand greater than or equal to 21 days, and
 - 6. The Equity less any assets excluded from Mortgaged Property is greater than 0.00.
- c. A distribution of assets may not be more than fifty percent (50%) of Net Income, unless Mortgagor has an Equity Financing Ratio equal to or greater than twenty percent (20%), as reflected in both the Most Recent Audited Financial Statements and immediately after the distribution

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commencement of amortization if longer), Mortgagor shall provide to HUD on a monthly basis board approved unaudited balance sheets, statement of operations, budget progress reports, FTEs, and statistics on the utilization of the services of Mortgagor within forty (40) days from the end of the month; and

(iix) All other financial and utilization reports HUD may require.

- 9(f)(2) *States, local governments, and not-for-profit organizations shall conduct audits in accordance with the Consolidated Audit Guide for Audits of HUD Programs (Handbook 2000.04) and OMB Circular A-133 (Audits of States, Local Governments and non-profit Organizations) in effect at the time of the Audit.*
- 9(f)(3) *For-profit organizations shall conduct audits in accordance with the Consolidated Audit Guide for Audits of HUD Programs (Handbook 2000.04) in effect at the time of the Audit.*
- 9(f)(4) *The annual audited financial statements shall identify any change in accounting policies and its effect on the balance sheet and on the income statement.*
- 9(f)(5) *If the financial statements include any assets or liabilities which are excluded from the Mortgage or Security Agreement, then:*
- (i) The audited financial statements shall contain separate schedules (including the Balance Sheet, Income and Expense Statement, Statement of Cash Flows) for only the Mortgagor and the assets or liabilities included in the Mortgage or Security Agreement,*
- (ii) The audited financial statements shall contain clarifications to the footnotes in the financial statements had the footnotes been prepared for only the Mortgagor and included only the assets or liabilities included in the Mortgage or Security Agreement,*
- (iii) All schedules and clarifications are subject to Audit procedures and must be reconciled to the consolidated financial statements, and*
- (iv) If substantial assets are held outside the Mortgage or Security Agreement, materiality levels for the separate schedule shall be based on the Mortgagor and the assets or liabilities included in the Mortgage or Security Agreement alone or the consolidated financial statements, whichever provides the highest degree of assurance.*
- 9(f)(5) *All books and records of management agents, lessees, operators, managers and affiliates shall be maintained in accordance with GAAP and shall be available for inspection by HUD after reasonable prior notice during normal business hours at the Hospital or other mutually agreeable location.*
- 9(f)(6) *Every contract executed on behalf of Mortgagor with any of the aforesaid parties shall include a provision that the books and records of such entities shall be properly maintained and open to inspection during normal business hours by HUD at the Hospital or other mutually agreeable location.*

27. Business Plan/Consultant's Report

- a. The Board shall review the financial statements of Mortgagor at least twice a year, including a review of the audited financial statements within thirty (30) days receipt from the independent audit firm. Within 15 work days from the date of each review, the Board must provide HUD with a written report (“**Report**”) describing measures being taken to improve Mortgagor’s financial operations if any of the conditions listed below exist:
- i. Loss from operations equal to or greater than one (1.0) percent of the Total Operating Revenues;

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projected to exceed 10 percent of the average Adjusted Operating Revenue for the three most recent fiscal years;

- iii. The new Long Term Debt may be secured only by:
 - 1. Assets that are not pledged as collateral for the HUD-Insured Mortgage, or
 - 2. Assets being acquired with the new debt, which HUD has allowed to be temporarily exempt from becoming part of the collateral for the HUD-Insured Mortgage.
- iv. For assets acquired through financing permitted by this covenant that are secured by a financing agreement, Mortgagor shall ensure:
 - 1. A Financing Successor Clause is part of the financing agreement; and
 - 2. Mortgagee files a UCC-1 financing statements or continuation statements, as appropriate, immediately after the lender of the Long Term Debt has filed its first priority financing statement. The filed statement should ensure at the conclusion of the finance period the assets shall then be in a first lien security position under the HUD-Insured Mortgage and Security Agreement.
- v. For equipment that is to be leased under this covenant, Mortgagor shall ensure:
 - 1. A Personalty Lease Successor Clause is part of the leasing agreement;
 - 2. Mortgagee files a UCC-1 financing statements or amendment statements, as appropriate. The financing statement should ensure at the conclusion of the lease period the previously leased assets shall then be in a first lien security position under the HUD-Insured Mortgage and the Security Agreement.
- b. Short Term Debt
 - i. Additional debt with a term under one year in length (“**Short Term Debt**”), may be incurred, with the prior approval of HUD.
 - ii. Short Term Debt may be incurred without prior approval of HUD if the Mortgagor can demonstrate, and the Chief Financial Officer of Mortgagor certifies to HUD that:
 - 1. Total Short Term Debt for the current fiscal year will not exceed five percent (5%) of the average Adjusted Operating Revenue for the three most recent fiscal years;
 - 2. The combined debt service payments for all Long Term Debt and Short Term Debt in the current year is not projected to exceed 10 percent of the average Adjusted Operating Revenue for the three most recent fiscal years;

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mortgagor is unable to include the Personality Lease Successor Clause in the renewed lease, then Mortgagor shall not enter into the new agreement without the prior approval of HUD.

- d. For existing property leases having an expiration of more than 1 year from the date of the Regulatory Agreement, Mortgagor shall insert a Realty Lease Successor Clause when the leases are eligible for renewal. If the Mortgagor is unable to include the Realty Lease Successor Clause in the lease, then Mortgagor shall not enter into the new agreement without the prior approval of HUD.

30. Annual Verification of Compliance with Loan Covenants/Conditions

- a. Annually, Mortgagor shall have its independent auditor provide an unqualified opinion that in connection with the annual audit, nothing came to the auditor's attention to cause the auditor to believe that Mortgagor is not in compliance with the applicable covenants of the Regulatory Agreement, or, if the auditor is unable to provide an unqualified opinion, the auditor shall provide a listing of any items of noncompliance along with an explanation. The opinion or explanation can be accomplished either:
 - i. If not required to be included in the audit itself, through a letter directly from the auditor to HUD sent when the audited financial statements are finalized; or
 - ii. Through a separate report referred to in the Independent Auditor's Report attached to the audited financial statements.
- b. The letter or report shall include a statement listing:
 - i. the amount required in the MRF as of the balance sheet date;
 - ii. the actual balance of the MRF as of the balance sheet date; and
 - iii. a calculation for DSCR, Current Ratio, Average Payment Period, and Equity Financing Ratio, as such terms are defined at the end of this Rider.

31. Office Space

Notwithstanding Sections 4 and 9(i) of the Regulatory Agreement, Mortgagor may in the ordinary course of business lease office space to tenants provided that said lease contains a provision that permits HUD, any mortgagee-in-possession, or any successor organization, at such party's option, to succeed to the interest of the Mortgagor.

32. Verification of Equipment

Upon completion of the Project, and in conjunction with final cost certification, an authorized representative of Mortgagor (or the auditing firm performing the cost certification) shall submit a letter to HUD, stating that all equipment included in the final equipment list is on Mortgagor's premises and located within buildings included in the HUD-Insured Mortgage.

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36. Swaps

Mortgagor shall not enter into an interest rate swap related to the loan secured by the HUD-Insured Mortgage, or any financial instrument that is directly or indirectly related to said loan without prior written permission from HUD.

37. Compensation for Certain Key Officers

Section 4(d) of the Regulatory Agreement is amended to insert at the end thereof the following: “; except to the extent of compensation paid that represents the normal and customary value of services rendered in his or her capacity as an employee of Mortgagor;”

38. Cross Defaults

Mortgagor warrants that there are no cross default provisions in any agreement undertaken by or with an Affiliate of Mortgagor that would cause a default on any other document executed in connection with the HUD-Insured Mortgage if the Affiliate were to default on its obligations.

39. Amendments

The parties agree that the Regulatory Agreement and the Rider 1 attached thereto may be modified from time to time by written agreement executed by both parties hereto.

40. Comparison of Financial Forecast to Actual Results for the Forecast Periods

No later than 120 days following the end of the Mortgagor’s fiscal year, the Mortgagor shall provide HUD with an analysis of its performance (financial and utilization) in comparison with the Mortgagor’s budget and the Financial Feasibility Study projections submitted with the Section 242 mortgage insurance application and titled “**XXXXXX Hospital**” (dated _____). Any deviations from the budget and the Financial Feasibility Study shall be explained in an accompanying statement from the management and Board of the Mortgagor.

41. Deposit Control Account Agreement

Mortgagor agrees to establish and maintain a DACA in accordance with the terms and conditions agreed to at Initial Endorsement. Mortgagor shall update and modify the DACA to ensure any new Deposit Accounts held by Mortgagor be made subject to the DACA as legally permissible by State and Federal law.

42. Financial Ratios and Guidelines

All ratios, financial guidelines, and other financial criteria defined in the Loan Documents, including this Rider to the Regulatory Agreement, (“**Ratios**”) are subject to adjustment in the event of a change by the American Institute of Certified Public Accountants of financial statement presentation guidelines or any other guidelines which may affect the Ratios. Any adjustment to the Ratios shall be at HUD’s discretion and may be reasonably adjusted in accordance with industry standards.

Draft

Covenants is defined as: This document entered into between the Mortgagor, Mortgagee, and HUD in connection with the HUD-Insured Note and the Regulatory Agreement.

Current Ratio is defined as: Current Assets divided by Current Liabilities.

DACA is defined as: a Deposit Control Account Agreement, executed by Mortgagor to perfect Mortgagee's security interest in all Deposit Accounts held by Mortgagor.

Deposit Accounts is defined as: a demand, time, savings, passbook or like account maintained with a bank, savings and loan association, credit union or like organization, other than an account evidenced by a certificate of deposit.

DSCR (total Debt Service Coverage on all Long Term Debt) is defined as: Net Income plus Interest Expense plus Depreciation Expense plus Amortization Expense all divided by Interest Expense plus Current Portion Long Term Debt (including current portion of leases) from the previous year's audited financial statement.

Enhanced Days Cash on Hand is defined as:

Cash plus Current Investments plus Qualified Liquid Investments
(Total Operating Expense minus Depreciation Expense minus Bad Debt Expense)
divided by 365 Days

Equity is defined as: equity for a for-profit entity, total net assets for a not-for-profit entity, and total net assets for governmental entities.

Equity Financing Ratio is defined as:

Equity minus any assets excluded from the Mortgaged Property
Total assets less any assets excluded from the Mortgaged Property

Excluded-Affiliate is defined as: any operations and activities excluded from the Mortgagor including but not limited to those Affiliates and the activities and operations of the Affiliates which are not considered part of the Mortgagor and are not encumbered by the Mortgage and Security Agreement.

Final Endorsement is defined as: HUD's Final Endorsement of the HUD-Insured Note.

Financing Successor Clause is defined as a clause that states, (in substance), upon a default under the HUD-Insured Mortgage, HUD, any mortgagee in possession, or successor organization has the right to assume the obligations of Mortgagor and use the financed assets for Hospital-related activities and such party agrees to be bound by all of the terms and conditions of the financing agreement.

Draft

Personalty Lease Successor Clause is defined as: a clause that states, (in substance), upon a default under the HUD-Insured Mortgage, HUD, any mortgagee in possession, organization shall have the right to assume the obligations of Mortgagor and use the leased asset for Hospital-related activities and such party agrees to be bound by all of the terms and conditions of the leasing agreement.

Qualified Liquid Investments is defined as: marketable securities, CD's, and bond investments that are undesignated and available for general operational use of the hospital within six months or less if so desired. Investments designated by the board for future use or for general capital improvements and that are not part of the Equipment Replacement Reserve Fund (or similar fund) nor excluded by any of the other categories listed in this definition may be classified as Qualified Liquid Investments and shall not be excluded because of the designation by the board. Qualified liquid investments do not include:

- a. Any accounts, investments, etc. that are part of a self insurance fund;
- b. Proceeds of any borrowings including without limitation:
 - i. Any internal affiliate loans regardless of the maturity date,
 - ii. Proceeds of any outstanding accounts receivable financing,
 - iii. Proceeds from lines of credit, or
 - iv. Funds supporting a letter of credit, loan guarantee, or similar instrument;
- c. Investments in any related entity or entity controlled by a related entity;
- d. Pledges receivable;
- e. Permanently restricted net assets;
- f. Reserve funds related to an issuance of bonds;
- g. Amounts shown as an unfunded or underfunded reserve(s);
- h. Mortgage Reserve Fund(s) or other loan reserve funds; or
- i. Any items that cannot be clearly identified as meeting the criteria of this definition in the financial statements of the organization.

Realty Lease Successor Clause is defined as: a clause that states (in substance), that upon a default under the HUD-Insured Mortgage, HUD, any mortgagee-in-possession, or any successor organization would have a right to occupy the leased premises for Hospital-related activities and such party agrees to be bound by all of the terms and conditions of the lease.

Reasonable Time Period is defined as: the lesser of 30 business days prior or immediately upon confirmation that the Mortgagor will purchase or acquire property.

Draft

Exhibit A

[if applicable] A complete list of all property (personal and real) held by Mortgagor which will be excluded from the HUD collateral.

Not Applicable

OPTION TO PURCHASE REAL PROPERTY

1. In consideration of the sum of \$ _____, the MUFC Central Energy Plan, LLC (the "Seller"), offers and agrees to sell and convey to the Medical University Hospital Authority, 169 Ashley Avenue, Charleston, SC 29425 (the "Buyer"), and hereby grants to the said Buyer the exclusive and irrevocable option and right to purchase, under the conditions hereinafter provided, the following-described property, located in Charleston, South Carolina:

Any and all improvements, structures, fixtures, tangible personal property, assets, or appurtenances thereto located in, on or about the premises leased from Buyer to Seller by Ground Lease entered into on or about December 1, 2003 for the premises situate, lying and located in the City and County of Charleston, South Carolina, being generally known as Parcel A-1, containing 1.71 acres, more or less, and Parcel B-3, containing 0.27 acres, more or less, and being more particularly described on Exhibit A –attached hereto and by this reference made a part hereof.

2. The option is given to enable the Buyer to obtain a commitment for US Department of Housing and Urban Development Section 241 Mortgage Insurance to secure the financing of a project for the acquisition of the property described in paragraph 1.

3. The total purchase price for said property is equal to outstanding debt plus fees, costs, and expenses associated with swap termination, not to exceed \$55,000,000.

4. Upon Buyer's exercise of the option, the Seller further agrees to convey said property to the Buyer by general warranty deed in the form, manner and at the time required conveying to the Buyer a valid, unencumbered, indefeasible fee-simple title to said property.

5. This option may be exercised by the Buyer at any time while the offer herein shall remain in force, by mailing or delivering in person a written notice of acceptance of the offer herein to the Seller(s).

6. Loss or damage to the property by fire or from an act of God shall be at the risk of the Seller until the deed to the Buyer has been recorded, and in the event that such loss or damage occurs, the Buyer may, without liability, refuse to accept conveyance of title, or may elect to accept conveyance of title, in which case there shall be an equitable adjustment of the purchase price.

7. Upon the acquisition of the property described in paragraph 1 pursuant to the exercise of this option, the parties hereto further agree that the Ground Lease entered into as of December 1, 2004, the Energy Services Agreement entered into as of December 1, 2004, the Maintenance and Operating Agreement entered into as of December 1, 2004 together with all amendments thereto shall be terminated.

MUFC Central Energy Plant, LLC

Medical University Hospital Authority

By:
Its:
Date: _____

By: Patrick J. Cawley, MD
Its: Executive Director
Date: _____

Board of Trustees Credentialing Subcommittee - March 2013

The Medical Executive Committee reviewed the following applicants on March 20, 2013 and recommends approval by the Medical Executive Committee

Medical Staff Initial Appointment and Privileges

John W. Gnann, Jr., M.D.	Active Provisional	Medicine
Kathryn Meghan Hewett, M.D.	Active Provisional	Pediatrics
Edward J. Kosnik, M.D.	Active Provisional	Neurosciences
Richard W. Rissmiller, Jr., M.D.	Active Provisional	Medicine

Medical Staff Reappointment and Privileges

Anne Elizabeth Sutherland Abel, M.D., M.S.	Active	Pediatrics
James H Abernathy, III, M.D., M.P.H	Active	Anesthesiology
George Hamilton Baker, M.D.	Active	Pediatrics
Varsha Madhukar Bandisode, M.D.	Active	Pediatrics
Kelly Barth, D.O.	Active	Psychiatry
Fred C. Brown, M.D.	Active	Medicine
L.W. Preston Church, M.D.	Active	Medicine
Milton J. Foust, Jr., M.D.	Active	Psychiatry
Stephen P. Gibert, Jr., M.D., Ph.D.	Active	Anesthesiology
Pierre Giglio, M.D.	Active	Neurosciences
Marion B. Gillespie, M.D.	Active	Otolaryngology
John A. Glaser, M.D.	Active	Orthopaedic Surgery
Juanmanuel Gomez, M.D., M.S.C.R	Active	Medicine
Richard H. Gross, M.D.	Active	Orthopaedic Surgery
Geoffrey Edwin Hayden, M.D.	Active Provisional	Medicine
Michael G. Huber, M.D.	Affiliate - Refer & Follow	Psychiatry
Edward Charles Jauch, M.D., M.S.	Active	Medicine
Joseph M. Jenrette, M.D.	Active	Radiation Oncology
Donna D. Johnson, M.D.	Active	Services
Eric J. Larson, M.D.	Active	Medicine
Angello Lin, M.D.	Active	Surgery
Robert J. Malcolm, M.D.	Active	Psychiatry
John S. Metcalf, M.D.	Active	Pathology & Lab. Med.
Jacobo E. Mintzer, M.D., M.B.A.	Active	Neurosciences
Kenkichi Nozaki, M.D., Ph.D.	Active	Neurosciences
Christopher G. Pelic, M.D.	Active	Psychiatry
Cassandra D. Salgado, M.D., M.S.	Active	Medicine
Edward Baron Short, M.D., M.S.C.R	Active	Psychiatry
Gerard A. Silvestri, M.D.	Active	Medicine
Arthur R Smith, M.D.	Active	Anesthesiology
Ronald J. Teufel, II, M.D., M.S.C.R	Active	Pediatrics
Tanya Nadine Turan, M.D., M.S.C.R	Active	Neurosciences
Deanna D Vroman, M.D.	Active	Medicine
Simon Watson, M.D.	Active	Medicine
David J. Walsh, M.D.	Active Provisional	Neurosciences
George O. Waring, IV, M.D.	Active Provisional	Ophthalmology
Sally A. Webb, M.D.	Active	Pediatrics
Kristin Rebecca Wise, M.D.	Active Provisional	Medicine

Medical Staff Reappointment and Change in Privileges

Antine E. Stenbit, M.D., Ph.D.	Active	Medicine	Addition of Moderate Sedation
Raymond Dwight Turner, IV, M.D.	Active	Neurosciences	Addition of Moderate Sedation and Critical Care privileges

Medical Staff Change in Privileges

Emily A Darr, M.D.	Active	Orthopaedic Surgery	Addition of Moderate Sedation
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Professional Staff Initial Appointment and Privileges

Angela Moreland Begle, Ph.D.	Provisional Allied Health	Psychiatry
Kelley E. Deaton (Scottaline), P.N.P.	Provisional Allied Health	Pediatrics
Michael R. McCart, Ph.D.	Provisional Allied Health	Psychiatry
Kathryn F. Meltzer (Morrow), P.A.C.	Provisional Allied Health	Neurosciences
Angela Sczypta, P.A., M.P.A.S.	Provisional Allied Health	Pediatrics

Professional Staff Reappointment and Privileges

Jesica Cleveland Archie, M.S.N., P.N.P.	Provisional Allied Health	Orthopaedic Surgery
Connie L. Best, Ph.D.	Allied Health	Psychiatry
Ginger L Brister, C.R.N.A., M.H.S.	Allied Health	Anesthesiology
Geoffrey Plummer Cheek, M.S.W.	Allied Health	Psychiatry
Natalia Davila, M.S.N., P.N.P., M.A.	Provisional Allied Health	Pediatrics
Lori B. Donahoo (Burton), MSN, P.N.P.	Allied Health	Pediatrics
Martha Jane Krauss C.N.M., A.P.R.N.	Provisional Allied Health	Obstetrics & Gynecology
Jennifer Marshall, P.A.C.	Allied Health	Neurosciences
Aiken McDowell McNair, B.S., P.A.C.	Provisional Allied Health	Medicine
Darlene L. Shaw, Ph.D.	Allied Health	Psychiatry
Georgette M. Smith, B.S.N., MSN, P.N.P.	Allied Health	Neurosciences
Cynthia Paige Thompson, C.R.N.A., MSN	Allied Health	Anesthesiology
Travis Henry Turner, Ph.D.	Allied Health	Psychiatry

Professional Staff Reappointment and Change in Privileges

Walter T. Krzyzaniak, C.R.N.A.	Allied Health	Anesthesiology	Switch to Refer & Follow
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**FACILITIES
HOSPITAL AUTHORITY
NEW LEASE
FOR APPROVAL**

May 16, 2013

DESCRIPTION OF NEW LEASE: This lease agreement is for 5,430 square feet of clinical space located at the intersection of Ladson Road and Adams Avenue. The purpose of this lease is to provide space for the Children's Hospital, After Hours Care in the Summerville area. The cost per square foot for this lease is \$23.50. The monthly rental rate will be \$10,633.75, resulting in an annual rent amount of \$127,605.00. Rent shall increase 2% annually.

Build-out costs are included in the annual rent. An estimated \$50,000 in additional costs shall be paid by MUHA separate from the lease agreement for IT installation, switch installation, wiring and security.

NEW LEASE AGREEMENT X
RENEWAL LEASE AGREEMENT

LANDLORD: PR Properties of Summerville, LLC

LANDLORD CONTACT: Robert Pratt, 576-2705

TENANT NAME AND CONTACT: John Sanders, Children's Hospital, Administrator, 792-6935

SOURCE OF FUNDS: Hospital General Operating Funds

LEASE TERMS:

TERM: Ten (10) years [9/1/2013-8/31/2023]

AMOUNT PER SQUARE FOOT: \$23.50

ANNUALIZED LEASE COST:

Year 1	\$127,605.00	Year 6	\$140,886.22
Year 2	\$130,157.10	Year 7	\$143,703.94
Year 3	\$132,760.24	Year 8	\$146,578.02
Year 4	\$135,415.44	Year 9	\$149,509.58
Year 5	\$138,123.75	Year 10	\$155,499.77

TOTAL AMOUNT OF LEASE TERM: \$1,400,239.06

EXTENDED TERM(S): To be negotiated.

OPERATING COSTS:

FULL SERVICE

NET X