

**Continuing Care Retirement
Community Council Meeting
October 26, 2016**

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Mark Hennessey: I'm Mark Hennessey, the Chair of the Council and I would like to call to order the meeting of the CCRC Council and welcome members, participants and observers.

I want to go over a couple of notes as it relates to today's meeting. I want to remind Council members, staff and the audience that this meeting is subject to open meeting law and is broadcast over the Internet. Webcasts are accessed at the Department of Health website www.health.ny.gov. The on demand webcast will be available to later than 7 days after the meeting for a minimum of 30 days and then a copy will be retained in the Department for 4 months.

Here are some suggestions and ground rules to follow to make this a successful meeting. Because there is synchronized captioning it is important that people do not talk over each other. Captioning cannot be done correctly with two people speaking at the same time. If Council members wish to speak, I would ask that you just raise your hand like this and we'll call on you in the order that you raised your hand.

The first time you speak please state your name and briefly identify yourself as a Council member or DOH staff. This will be of assistance to the broadcasting company to record this meeting. Please note the microphones are hot and it means things you say will be picked up, any rustling of papers, other things like that as well. For that reason and a couple of others including decorum, I would ask that everybody turn off your cell phones all the way that includes not having vibrations because that will also trigger the microphones as well.

To all the people in the room a reminder for audience, a Notice of Appearance form needs to be filled out before you enter the meeting room. It is required by the Joint Commissioner on Public Ethics and in accordance with Executive Law Section 166. The form is also posted on the Department of Health website. Again, that's www.health.ny.gov under the council section of the CCRC page. In the future you can fill out the form prior to the meeting if you want by downloading that form.

Members of the public are only allowed to address the Council if they sign up to speak for the public comment period. Public comment period is going to be pretty early in the agenda so we'd ask if you're interested in speaking that you communicate that to the staff person on the side over there right now. You're going to be given 3 minutes to talk about whatever it is you want to address to the Council. I will also though tell people who may be here to speak about the application today that we are also going to have a comment period before the application. So I would ask during that first public comment period we talk about any matters other than the application and then the second public comment period which will be around the application you will be able to address anything you might want to about the application in front of us. I would also like to welcome 2 members who were not at our last meeting; one is Brian Nealon, he's the CEO of Wesley Healthcare Center. Brian is a new member to the Council. And Wayne Kaplan who is a partner at Ruskin, Moscou, Faltischek. If I mispronounced that I apologize folks. Mr. Kaplan is a returning Council member and the only member to have served at previous meetings

of the Council. So we welcome you both to the meeting today. Council member Carol Fenter could not be with us today, she is not able to make the trip to Albany unfortunately.

So I had mentioned about maybe a minute and a half ago that we're going to give people an opportunity for public comment. I would ask now that we move into our agenda with the public comment period. So Mr. Heeran can I ask, do we have anyone who's interested in making a public comment at this point?

Michael Heeran: Susan is anybody?

Susan: A gentleman said that he was interested in speaking at the application time.

Mark Hennessey: Okay, I'll just give it a second more. Anyone else have any interest in giving public comment before we move into the main parts of the agenda. Okay thank you very much.

Wayne Kaplan: Mark just a technical correction, I haven't worked with Ruskin, Moscou, Faltischek for about 10 years.

Mark Hennessey: Oh gosh, okay.

Wayne Kaplan: I think they have my address.

Mark Hennessey: Well I appreciate the correction. Thank you. The next item on the agenda is an action on proposed revisions to the Council Bylaws. We're going to move that up in order a little bit. I know we had talked about maybe taking that up a little bit later but in order to accomplish the task of having our meeting today, I wanted to have that opportunity to take up that vote at this point. so we'll start by taking the proposed revisions. Does anyone need a recap of those changes? Everyone saw them at the last meeting. They were presented there. We talked about them a little bit. I'm not seeing anybody indicating they need a recap, so what I would ask for is a motion to adopt the changes to the Bylaws as presented at the last meeting.

Council Member Davis: Just one comment.

Mark Hennessey: Sure, we're going to have discussion. Okay so we have a motion from Mr. Kaplan. Do we have a second? Second from Mr. Nealon. Okay now we can have discussion on the topic.

Council Member Davis: Thank you. Just for the record...

Mark Hennessey: Mr. Davis as we stated earlier could you just state your name for the camera.

Council Member Davis: Council Member James Davis. Just for the record, our National Association just spent a lot of time and effort changing the name from Continuing Care Retirement Community to Life Plan Community. I don't necessarily think it's a good idea in

New York State changing names because with such an uneducated market, but just for the record, there is this initiative nationally to go from what we just approved to something else.

Mark Hennessey: Okay. Any other comments on that item or any other discussion anyone would want to have about the topic? No okay so we have a first, we have a second and now I propose that we take the vote on the matter. We already took our motion. So I would like to say we're ready to adopt the changes to the CCRC Bylaws, those in favor say aye.

(Chorus of ayes). Those opposed say nay. The ayes have it. Thank you very much.

The next item on the agenda is the approval of the transcript from the September 14, 2016 Council Meeting. Our revised Bylaws are now official thank you very much, allowed us to take advantage of modern technology by adopting webcasting transcripts as the minutes of our Council meeting; they provided a transcript for review. May I have a motion to adopt the transcript from the September 14, 2016 meeting? Motion by Ms. Barrett. Second by, may I have a second, Mr. Davis. Okay Council Member Davis sorry I apologize. Is there any discussion on the matter?

Male: Just one comment that the transcript does not necessarily reflect the grammar of the individual Council members just for the record.

Male: There is some misspelling of names, especially mine.

Mark Hennessey: Any other discussion on the matter? No? Okay. I'd like to now call a vote on the adoption of the transcript to act as minutes of the September 14th meeting. Those in favor say aye.

(Chorus of ayes). Those opposes say nay. The Ayes have it. Thank you very much. The transcript has been posted to the CCRC Council Section of the DOH website for review by the public.

Okay the next item is a little bit different than some of the items we will take up today. At our previous meeting, I had asked if any of the members would be interested in acting as the Vice Chair of the Council. I didn't hear from anybody. Having said that, I would hazard to make a motion to have Barbara Stubblebine act as the Vice Chair of the CCRC Council. I've known Barbara for many years and we've worked together pretty extensively. Barbara also has the ability to access some of the state resources that I have available here in this building if needed and so in order to accomplish the task of filling what the Bylaws require and having someone to act if I'm not available, I would propose Barbara as that person. Now to formalize that I'll need to make a motion. So I will make the motion to appoint Barbara Stubblebine as the Vice Chair of the CCRC Council, can I have a second? Second from Ms. Laible and or Council Member Laible sorry, Libble, I keep doing that wrong I apologize. I have a second, can we have discussion? Okay sounds like oh please.

Council Member Nealon: Council Member Nealon, are you willing to accept?

Council Member Stubblebine: I am willing to accept.

Council Member Nealon: I just wanted to make sure.

Council Member Stubblebine: I wasn't present, sorry Council Member Stubblebine. I wasn't present at the last meeting so for those of you who aren't familiar with me, I am the Director of Communications at the New York State Office for the Aging and this is my first official meeting. And yes, I accept.

Mark Hennessey: Fantastic. Okay so we've got a motion, a second and acceptance. That's awesome I appreciate that. Can we have a vote. Everyone in favor please say aye.

(Chorus of ayes). Anyone opposed nay. The ayes have it. Terrific, thank you very much especially Barbara and for everybody else on the vote.

Alright the next item on the agenda is the discussion of the requirements for a Certificate of Authority approval. An operator needs to be approved by the CCRC Council in order to operate a CCRC. Mr. Heeran from the Department of Health is going to go over some of the requirements. As most Council Members are new to this process, he thought it would be important to go over the requirements before taking action on any applications, let alone the one we have on the agenda before us today. Mr. Heeran if you wouldn't mind.

Michael Heeran: So I thought before we actually discuss the Bethel application go through some of the requirements that the Department use to recommend approval of that application. In regulation 900.4 and there should be a copy in your packets so if you can walk through with me with it. We have certain requirements that we have to review the application for a Certificate of Authority and when we did the exhibit and we can comment about the structural part of what we presented to you in a few moments before we actually take the formal application up. But we use these criteria to evaluate all the materials that were presented to us for the application. Under 900.3 of the regulations there's a slew of materials that need to be submitted but 900.4 lays out what the Department has to review for each of the items that are submitted.

First of all, under 900.4A it just says the application has to be complete and provide all the information necessary for review. So that's pretty standard. Getting to the nuts and bolts of it with section B which starts talking about what's required basically from the Department Insurance. They have to review the actuarial principles involved in the application. They have to review the financial feasibility of the application. They have to review the form and content of the proposed Life Care Contract and go through all the agreements to make sure that the contracts are legit. They have to do the rating system. So they have to determine how the rates are set in the contract and that's all done, again within the Department of Financial Services review. Then we get down to the other elements that need to be done in this section. Basically, now in this case coming up we have an existing facility but if it was a new facility, they would

have to get permission to construct and operate an assistive living and a skilled nursing portion. In this case we have an existing facility that's already licensed for enriched housing and skilled nursing. So those two elements had to go through the approval process. The skilled nursing facility has to go to the Public Health and Health Planning Council. It did so. It was approved contingently on October 6th as an approval. So I'm sorry I'm talking ahead on the application. But for the application coming up, they already did that and that's in our recommendation. And again for the assisted living they have to get approval from the Departments if they're operating it from the Assisted Living Division. There is also just the section, if they're building something they have to get permission from the Department before they begin construction.

The applicant must also demonstrate to us for approval that they're going to operate the community within Article 46 of Public Health Law and as outlined so basically has to demonstrate that they're going to operate as a legal CCRC as defined in the law and that's what we review in the application.

The next page gets down to in section D we start talking, and again there's some other minor elements above that but they have to demonstrate that the total number of beds proposed again is reasonable as far as the healthcare facility goes related to the independent living and so forth. So, basically the structure of the community again within Article 46.

In section D starts to talk about the character and competence of the operator and that's a review that we do if you want to think of it as a sort of like background check but we review, we look back 10 years for an operator, proposed operator to look at their enforcement history and whether or not they're A) in compliance and B) they've gotten their facilities back into compliance. And we disclose any enforcements that they've had against them and whether or not again, they're competent to operate the facility. Part of that is like we make sure they promptly correct any sort of deficiencies and things like that.

Then, for the most part after that, the application talks or the regulations talk about the structural parts of the application. We can request additional information and we can ask for additional things. And again, once all that review is complete, we have 60 days to bring it to the Council. So that's kind of the process that's outlined for our review. In this application that we're going to talk about in a couple of minutes, obviously time was short so we didn't have the 60 days, but there is, and I mention this because there is another application under review right now at the Department and that's to establish a new CCRC, Fountain Gate Gardens. So in all these elements in 900.4 it's the B section, when that B section is complete and we have that portion of the review in, we will have 60 days to bring that forward to the Council by regulation for approval. So those are kind of the criteria we use when the application was submitted. So we're not making the recommendations which we built in the exhibit just out of thin air, we actually have regulations that we use. And we try to structure the exhibit that's going to be presented to you in a few moments based off of this and try to make references and tie-ins to where we in the regulations thought it meant that, the records for the criteria. So, hopefully again, structurally this will work for you. I did look back, it's been a long time since the Council met. I pulled some old boxes. I tried to look at what was done before and this format, for those of you who

are familiar with Public Health and Health Planning Council it's a majority of what my group does and Charlie's group. We try to use that format as well to build an exhibit that we think its been tested there to work and provide you with a summary of material. It is not your job to review the entire application. You've seen all this material, its very voluminous and there's a lot there. So its out job as staff to review the application and do a write-up that thoroughly summarizes it. Again, references, critical points that we need for approval and to make a recommendation to you as a group and then we provided these materials and a ton of attachments in case you wanted to check on anything to go through and check what we had looked at. So, hopefully this exhibit works for you as a group. I'm open either now or later to suggestions as a group of what we can do in the future. We are actively reviewing another application that will have to be presented. So whatever doesn't work here or can be done differently, it's your job as a Council to let us know and we'll try to accommodate you. And again, once the application is formally presented, I'll walk you through it. That's how we got where we are.

Mark Hennessey: And I would ask and I'll sort of clarify this question, do any of the members have any questions for Mr. Heeran or for the Department? And what I mean by asking that question is specific questions about this process. If it's about the actual application that we'll take up in a little while, let's separate that and have that with the application. But more to the general process if you have questions about that now is a great time to ask and it doesn't, if you don't have it today we can also ask questions off-line.

Michael Heeran: And we'll start, before you ask me a question, the intent in the future is to give you more time. So I realize that is, we'll talk about in a minute, a very unique situation. The intent is to get you this material much farther in advance than you did this time I realize that. So that being said, if you have any comments or anything about what how we've structured this, its too much, too little let us know so we can make it better next time.

Male: I thought this was very good, right to the point. You didn't drag on too long and you didn't cut it too short. So I thought it was very good, well done.

Michael Heeran: Thank you.

Mark Hennessey: Any other questions or comments?

Michael Heeran: Everybody was able to access the web. Does everybody prefer to get things through the website like you did or would you like hard copies, both? Again, you don't have to answer now, let us know, let Susan know. Obviously printing saves us a lot of time and effort. If you like the link and the link works, we can post to the website. We like to use modern technology as much as possible to get you the material faster. But we can always send you a hard copy packet upon request. So please feel free if that works better for you, let me know.

Mark Hennessey: Personally I love stuff over the web but I'm a paper guy so I still want to look at everything in writing. So it's not an unusual request. If people are interested in that, that is

something we can absolutely accomplish. Okay so I don't think we have any more discussion on this item.

The next item on our agenda is discussions of an application for Article 46 Certificate of Authority from Bethel Methodist Home. As a reminder, under Article 46 of the Public Health Law section 4602.2A the Council has the duty to approve or reject applications to obtain Certificate of Authority for the establishment and operation of a Continuing Care Retirement Community. Before we proceed with the discussion and vote, there is an issue of disclosure and possible disqualification that needs to be resolved. As per the Bylaws of the Council, the Chairman may request that the Council determine if a member has a conflict that would preclude him or her from voting on application. Council Member Davis has made a disclosure I think we should review and discuss. So Mike I would ask, we have a Conflict of Interest form I think that was produced by Council Member Davis. So we're going to hand out that Conflict of Interest form and then I'll make a Chair's determination and we can move from there. So we'll just take a moment to get that form out to everybody. So I think everyone has had a chance to read through the form that was handed out. It is my determination as Chair that this is, though it's a possible disqualification, that its not actually a disqualification for Mr. Davis. Just going through the Bylaws, the Chair can make that determination. I would ask do any of the members want to repeal the determination of the Chair? No? Okay so Mr. Davis you can join us for the rest of the discussion. Okay. Thanks for your help in resolving that.

Now onto the application. The Department of Health has reviewed an application for Bethel Methodist Home to be granted a Certificate of Authority to operate an Article 46 CCRC at the site of Westchester Meadows CCRC. The Department has presented material to the Council for review with recommendation for approval under the requirements of 10NYCRR 900.4 with conditions and contingencies. May I have a motion to present the Bethel Methodist Home application to the CCR Council? Okay so I see a first by Council Member Barnett. May I have a second? I see a second by Council Member Kaplan. Mr. Heeran of the Department will now walk us through the materials. There will be time for discussion after Mr. Heeran speaks so let's let him get through the materials and then we will have discussion. And just for the folks just a reminder for folks who will want to have a time for public comments, that is coming guaranteed okay. So, Mr. Heeran if you would.

Michael Heeran: So before we get into the actual contents of the application itself, I wanted to drive home a few points because this is a really unique situation we have before us and one that we really as a Council or group didn't have a lot of control over. This was something that has come out of Chapter 11 Bankruptcy court. The court has decided to allow the Bethel Methodist Home to make this application to the Council to basically operate a CCRC at the site of Westchester Medical CCRC which is in Chapter 11 Bankruptcy. And they're going to do so for cash consideration to be paid to the court to settle claims for the existing CCRC. They unfortunately gave us some very difficult timeframes and these timeframes have been very challenging and again, I apologize for the short notice of everything here and we've obviously pulled the Council together in response to this to start addressing this and future things and to be more timely.

This situation is not the fault of the applicant and you should realize that when going through the application. They've had to do some things to make this application happen that they probably wouldn't have preferred to do but given the timeframes involved imposed by the court. The court imposed the timeframes because the CCRC is running out of money. They've actually run out of money. They ran out of money in September and Bethel Methodist Home has stepped forward and is actually contributing cash to keep the facility afloat until they can obtain all the regulatory approvals to try to accommodate at least us to get this together because when they ran out of money in the end of September we just couldn't get the regulatory approvals in place. So we're trying to accommodate this as fast as possible knowing that the CCRC and the current operators don't have any money. Bethel has provided up to \$200,000 of their own money just to fund October to keep it going, again, so they can keep it a CCRC.

The financial arrangement proposed in this application by Bethel isn't again ideal, but keep in mind they had 6 weeks to do this and pull this together once the court ruled. This court ruling for those who, I presented last time on this was a very drawn out process. It was supposed to happen the beginning of the year and it just kept going and going into July. So this has been pushed back into the summer but unfortunately the drop-dead date of September has always been there. We knew the CCRC was going to run out of money. So we did get crunched as did the applicant. And I think DFS did a really nice job in the recommendation section of pointing out some of the things that they thought were due to time and due to the application weren't optimal, but they did a nice job in the recommendation pointing that out. So if you read through that, you can see that. And in the recommendation they do talk about the applicant not having deep pockets, it's a term we use to say that there's just not a lot of cash available to the applicant. They do have equity. They do have equity in some of the other facilities they operate and in this application you will have seen that they converted some of that equity in one of their nursing homes to get the \$2,000,000 cash they needed for the contribution. So, again, those are things that we just want to point out to you as a group.

Looking through the application it has been relayed to us that these are conservative levels of sales and occupancy that's been projected. So, again, while the applicant doesn't have deep pockets per se for a lot of cash to withstand any adverse events, they do have the ability in the proposal that they gave to us to withstand any sort of adverse events and there's a lot of flexibility in this model. Really there's two key elements in that flexibility; first of all they're projecting substantial savings and operating costs. This proposal shows that they can achieve pretty much savings from day one when they come in. That's going to reduce the operating costs. The second is, they've come to this arrangement with the current residents to, on their entrance fee refunds, the refundable portion of their entrance fee, and what they're going to do now is usually that refundable portion is due payable when the contract's terminated either when the unit is re-rented or a year which ever comes first. And that's by law it's Article 46. So what they've done here for the current residents, in order to reduce that liability, they've entered into an agreement with the current residents to reduce that liability to a guaranteed 7 ½% and then make the other 92 ½% is contingent on them meeting financial ratios per se. And that's really just to say that the current residents are now at risk. They're giving up 92 ½% of their

guaranteed refunds deal in the future if they cancel their contract to give the CCRC, the new operators, flexibility so that if things do go wrong, or they need money or they can't reach their projects, they're at risk for that. So the loans will get paid. They can withstand that. But, keep in mind, this is at the risk of the current residents and getting the rest of that 92 ½% back.

I think the most important thing I want to say here is that what's before you was the choice of the residents. They voted and I was participating in the calls as a monitor for all the calls, they voted initially there were 2 proposals at the table, they voted at a 2 to 1 ratio for this application to come before you. The current Board of Directors at Westchester Meadows took that vote under consideration. They voted to go with this application Bethel and the court then had testimony, had a long hearing, and determined that Bethel Methodist Home would be given this opportunity to present this application to you as a group. So this is choice. This is what the residents expressed. This is what the current operator expressed they wanted to do. This is what the court expressed. And that court ruling then just handed it to us as a group, handed it to the Public Health and Health Planning Council and to Division of Assisted Living to use our normal process. We're not under any obligation here at all to weigh in. We can just do our normal process. We can do whatever we want that we feel is appropriate but just know that this was their choice. And the residents did that knowing that everything was disclosed. I was on the calls. They were told the risk involved. They knew what they were voting for, it had been disclosed to them anyway and they were made clear that the Attorney General's Office was monitoring those calls. And actually for the one meeting they were present.

Mark Hennessey: I would just like to in the middle of that, and I apologize for this Mike but we don't have anyone from the Attorney General's Office here today so we don't want to hold out that anything about them because there's no one here representing them today.

Michael Heeran: Okay.

Mark Hennessey: We can't speak on their behalf.

Michael Heeran: Correct but they were present. Also just to add, I found out late last night, so the current residents have to sign an addendum to their current contract. Bethel Methodist Home does not have the right and authority. You, as a group, are the only group that can give an operator authority under Article 46 to operate and enter into contracts as a CCRC. So Bethel Methodist Home could not contract with the current residents. What's going to happen is Hebrew Hospital Senior Housing, who's the current operator of Westchester Meadows had to go out with an addendum to the current contracts and have the residents sign that addendum and that will be passed through in bankruptcy court and that's explained, I'll go over it in a minute in the application as well. So that's just a process issue and that's going to be taken care of in court. So those addendums will be processed as part of the bankruptcy. And as of last night all 83 addendums, so every addendum that had to be signed by current residents contract holders was signed and turned in. So that's 100% participation and that's what was in the term sheet that was submitted to the court, they would get 100% participation.

And last, I just want to state before we go through the application, an application because of the timeframes we understand this is the financing and financial circumstances may not be optimal due to time constraints but there should be no doubt about the commitment of Bethel Methodist Home to this project. I've been monitoring this along the way since this started, July of the year before, July a year ago and they've overcome numerous hurdles. They've been able to try to meet the timeframes that are very difficult. They've had a visible presence at the community and with the residents. They've looked at the facility. They know what needs to be done. They know what improvements need to be made. They've worked nights, weekends and holidays to make this thing happen and they provided their own cash, \$200,000 to run this place in October. I think they're in almost up to \$2,000,000 now they've invested in trying to put this application forward. So, again, while the financial circumstances may not be optimal, their dedication was definitely there.

Mark Hennessey: That's it?

Michael Heeran: Oh, I was going to run through the exhibit. Does everybody want me to run through the exhibit?

Mark Hennessey: Yes, please.

Michael Heeran: Okay. There's an Executive Summary that outlines a lot of what I just said. Westchester Meadows which will now be operated by Bethel Methodist Home is an Article 46 CCRC at 55 Grasslands Road in Valhalla, Westchester County. It has 120 independent living units, 10 enriched housing units and 20 skilled nursing beds. There is also a 35-slot adult day healthcare program that's on the site as well. After this application is approved, if it is approved, it will be operated under the name The Knolls Bethel Community. There is a little paragraph that just discussed the bankruptcy proceedings. I've discussed that at previously meetings. There will be an exchange of approximately \$16,000,000 that will be made to the court to settle the debts and claims of Westchester Meadows creditors. The plan is for Bethel to go forward is to offer Type B and Type C contracts. As a reminder, Type B's are usually referred to as modified contracts. They cover a certain number of days of assisted living and skilled nursing. In this case I believe its 6 days of each are covered which makes it an insurance product and anything after that is fee for service. A Type C is strictly a fee for service contract, pause for a minute...

Mark Hennessey: Keep going. We'll introduce Council Member Sheehan in a second.

Michael Heeran: Again, the Type C is a fee for service contract where they have the right to an independent living unit and then the services and the skilled nursing and enriched housing would have to be paid on a fee for service basis. They're not covered in the monthly cause that the resident pays.

Mark Hennessey: Can we pause for a split second here. We've been joined by Council Member Sheehan from the Attorney General's Office. Go ahead. And Council Member Sheehan we're

in the middle of talking about the Westchester Meadows Bethel application, going over the exhibits.

Michael Heeran: We felt that the application as submitted addresses how the proposed CCRC will operate within Article 46 of the Public Health Law and the Regulations and we recommended approval. I'm just going to touch though, highlight a couple of really quick items if that's okay with everybody.

Female: When do we ask questions?

Michael Heeran: Why don't we run though and then you can ask and then go back to the section because I'm afraid I'll get distracted a little bit. When we did the review I set up a program review that kind of just shows you that this is what we do in the Public Health and Health Planning Council world shows you who the existing operator is and the structure of the new operator. Again here, both are not for profit organizations. I disclosed who the new Board members will be on this application as well. We give a little history of the court proceedings. I noted in here again the structure of the community. It's going to be 120 independent living units, 10 enriched housing units and 20 skilled. Okay there's nothing in this application that changes what's already been operating in existence, in fact the new operator, proposed operator intends to run this community pretty much as is, just make improvements to the community.

The proposed operator is one of six affiliated New York corporations, not for profit corporations and they already provide a continuum of care in the county. Everything that will be operated, they don't operate a CCRC per se but they do operate independent living units. They do operate assisted living. They do operate skilled nursing within the county. So they're an existing operator in the county and known operator and they do operate their levels of care that would be offered at the CCRC. They do plan on investing \$6,000,000 in capital enhancements to the facility to improve the appearance and bring it up to date. Obviously the previous operator was struggling financially and some of those were not done. Their plan is to offer again, Type B and Type C contracts. Under Article 46 to be licensed as a 46, I'll just point out you have to offer a Type A or a Type B contract, you cannot just offer Type C that would be Article 46A. So they do meet the requirement here of offering a Type B contract. They're going to have two types; a Type B 90% refundable and a Type B declining balance. Real quick the 90% refundable means that the resident would be entitled to 90% of their entrance fee refund back should the contract be cancelled. And the declining balance contract the amount that they can get refunded off their entrance fee declines over a period of time by stated percentages.

The price points, we've provided attachments for the price points but in general they're going to be ranging entrance fees from the \$200,000 to mid \$600,000 range with monthly fees that average between \$3,000 and \$6,000. And the per-diem fee for service rates were pretty much in line with what's available in the county and the skilled nursing actually average rates are published, a better average for the county and I compared them. They are very similar.

I already mentioned that the Type B will offer 6 days of enriched housing and 6 days of skilled nursing care that's not covered by Medicare.

Just to point out in this section this community is mostly small independent living units and you'll see that in the next section as well. I put the square footage there but I do need to point out as part of this application they are going to request that we allow them outside admissions to the enriched housing and skilled facility. It is allowed under Article 46 of Public Health Law. States upon issuance of a Certificate of Authority an operator can have up to 7 years on a temporary basis to admit outside admissions and they made that request and we've discussed that with them and we will make sure that the current residents have access to those services and it won't be jeopardized.

Mark Hennessey: If you could hold because we've already had one Council Member ask for an ability to ask questions. Just finish up and I promise we'll do questions and discussion.

Michael Heeran: I'll try to get through the rest of this pretty quick. Just another aside that under this application there is going to be an attempt to keep the current employees, they will still be unionized under 1199. The current operator has an agreement with them for its other facilities and I know that they're making every attempt to reach out to the current employees to keep them there. I know that will help the residents out a lot to keep the staff that they've come to know.

Mark Hennessey: But not the current management.

Michael Heeran: Oh correct. Thank you. The current Executive Staff will be replaced as part of this application. So the Executive Team, the CEO, the Administrator, all the Executive top-level staff will be replaced by Bethel. Its just the 1199 the regular working staff will be kept. Thank you.

So we made a recommendation for approval. I cited you could tie it back to 900.4. Also we did announce this the Market Demand. This is the section I was kind of referring to earlier. You can see the layout of the CCRC. Again it is mostly smaller units and I noted that in my approval and mostly the smaller units are the ones that are vacant. This will probably aide them in marketing as I understand there may be a market for those smaller units. Obviously, the smaller the unit the cheaper the price and the entrance fee, so that kind of goes hand in hand. 40% of the current units are unoccupied but again, they are mostly the smaller units. In Westchester there are 2 other CCRC's; one is Kendall on the Hudson and we have a representative here, and also the other one is the Osborn. That is not regulated by Article 46 but it is referred to as a CCRC. It's the only one in the state that uses the term CCRC that's not regulated by Article 46. And they offer, so the two CCRC's in the area Kendall on Hudson is mostly a Type A like Care Community and Osborn is mostly Type C. But the price ranges on them are higher. Again, their projections are for modest growth to reach a 92% stabilized occupancy. They've projected \$1.3 million per month, probably the biggest barrier to net that would be attrition. It's an older community so while they're going to average 1.3 they're going to have a good month and a bad month and we'll take that into account when we're looking at the numbers because we can't

really control attrition but 1.3 is a fairly modest number if they're able to achieve a decent sales level.

The next section is Character and Competence. I will note for the record that this Character and Competence section mirrors the Character and Competence that was presented to the Public Health and Health Planning Council for the most part and it's basically the same criteria that was used that we did for the Skilled Nursing and that was approved October 6th. And what this section does it outlines what we reviewed. The facilities that this Board operates, the period we reviewed them for. The actual individual Board members and then we disclosed a little history about Bethel the organization; they're a 501C3 nonprofit corporation. Again that operates a continuum; they're involved in a larger entity that runs a continuum of care. We do disclose that their facilities are Skilled Nursing facilities and the other hospital an enforcement. And they are disclosed there, the details of that are disclosed. But we did rule that they did meet the requirements for Character and Competence.

Then we get into the financial review itself. I'll just highlight real briefly some of the financial information. there is going to be a total of \$30,000,000 finances for this project; \$2,000,000 will come from equity from Bethel Methodist Home, and \$28.7 million from bonds and there is the breakout of the bonds below there as well. Its mostly I'm going to be with Hamlin is the company doing it. So that's the money that they're taking in through financing. Then we have how the money is going out. And \$16.1 million has to be paid to acquire the assets of Westchester Meadow CCRC to the court and that will happen. There is going to be \$6,000,000 set aside for capital expenditures to improve the facility and that will be held in a trust account. There is going to be \$884,000 in working capital for them to draw upon fund any operational losses that may occur. There is a \$3,000,000 Capitalized Interest fund that's going to be held through July 1, 2018 to cover interest expenses. \$500,000 for liquid reverse fund for the New York State Department of Financial Service requirement. And there is going to be \$1.9 million in the cost of issuance. So earlier I said they spent about \$2,000,000 to get this thing started and to get this far and that's what that number is there, it refers to. And there's going to be \$2,000,000 in debt service.

Again, DFS talks about some of the financial issues in their review but we will highly that the \$2,000,000 equity contribution is going to be achieved by collecting a related party receivable from the Nursing Home, Bethel Nursing Home and they are going to actually take out a loan to pay that, the Nursing Home is.

Again, really quick in the next section, they do point out that they're going to have up to \$2,000,000 in operational savings and they've already looked at it and they've got some reductions. They're going to have some new contracts in place, overhead reduction and things like that. They've been having discussions with the Department, they're pretty confident they can meet that savings number which again should get them closer to break even. And because of that, they don't have to have a high sales number to reach break even and they think maybe at about 70% occupancy or just a net of increasing by 12 occupied units they can actually achieve a break-even point. Again, they are going to be heavy Type C so the percentages there are broken

down, it's going to be 90% Type C and the rest Type B contracts. So that's going to be their offering. That's where they think the market is and that's what they think they're going to be able to achieve.

And then there's a little section about the current contracts. So the current contracts which, besides the savings that I just talked about above that they're going to achieve, the current contracts is where the other flexibility comes in and we've simplified the terms since they originally presented it to the residents and we're just stating, we've had Bethel state that basically they're going to be guaranteed 7 1/2% of what they owed, they are currently owed on their entrance fee refund is going to be guaranteed and the rest will be 2 conditional payments; 67 1/2 of the refund will be paid if certain financial ratios are achieved, cash on hand and a debt service coverage, and then the other 25% will be paid out of an interest bearing account that will be funded by Bethel through any operating surpluses they achieve and they're approved to pay in 2 by the person doing their financing. So its that two elements in this application that make it financially feasible. So again, if there's any sort of unforeseen events or they can't achieve their goals, there will be a delay in payment to the current residents of any entrance fee refunds due when they terminate their contract until they can become financially stable.

Okay and then the last section is recommendations. We have a pretty robust and good write-up financially of the Department of Financial Services recommendation. They do point out that there were some concerns over the working capital in the projections. They, of course, would like to see deeper pockets should there be an adverse event. But, as I stated the flexibility to cover those things is in the achieving financial savings and the fees to pay to the residents, the current residents. But they did make a recommendation for approval. As part of that recommendation, they're going to allow Bethel Methodist Home for a period of 4 years to ramp up the liquid reserve requirements, evaporating reserve requirements I believe and its all detailed there in their recommendation.

We do put contingencies and conditions on this approval. Contingencies have to be met before they receive final approval and can move forward with the closing on the deal. And conditions are things that they have to operate under once they're fully operational. Those are the rules they have to operate the facility by. So we listed out those contingencies and conditions. I can tell you over the past 3 days, 4 days maybe, we've been actively working these contingencies. They're all under review. There's been submissions made I think in most if not all but they've made a substantial dent in this and they're actively under review.

And the Department of Health also reviewed the application and made a recommendation that's going to operate within Article 46. And we have some we did put some conditions on this application I would like to point out. We are going to do some enhanced monitoring of the facility under number 4 to keep an eye on their performance, their performance against their sales and more importantly we'll keep an eye on how they're handling the current resident's determination of the ratios that are being achieved and whether or not those payments are being made to the residents who are owed money. Now.

Mark Hennessey: So that's everything?

Michael Heeran: That's the application.

Mark Hennessey: I think Council Member Laible had the first question so. And I'm sorry just before you begin, so we'll have questions, discussion at this point, any of the members obviously will have that opportunity and then members of the public again promise to you that we will give you an opportunity to talk. I think that Council Members can direct their questions to you Mike. Can they also speak to the applicant now or are we going to hold off on that for the time being.

Michael Heeran: We'll start with me and see where we go.

Council Member Laible: Okay, can we have a litter bit more discussion around the \$2,000,000 in savings that the applicant is saying is going to happen? Also, if operations are kind of staying as is, and I know you detailed a little bit about how they're going to achieve that savings by eliminating certain contracts, so then are there other contracts that are in place already for things like dining or is this something that they're going to eliminate after a certain amount of time that they're in the facility?

Michael Heeran: Does the applicant want to come. I know you've done a lot of work. Would you like to come forward and address that stuff?

Mark Hennessey: Could you state your name please when you come forward and please step within the range of that microphone.

Beth Goldstein: Hi, I'm Beth Goldstein, I'm the CEO of Bethel. So it's based on our current organization and how we operate and we supply a lot of the administrative services that will not have to be provided and salaries that we won't have to pay specifically for this entity through the Bethel Methodist Home. So our Human Resources Department, our Billing Department, my services our CFO services and those very costly services if you had to have them on an individual basis, we provide through this management contract which would be a real savings, IT. When we did our due diligence and looked at the salaries that they were paying and the number of people they had in certain positions, and even the staffing levels that they have currently, we immediately saw that based on 100 positions that they had, we are only hiring 60 people which are basically the direct care workers, housekeeping, CNAs, nurses, maintenance type people and all the high salary administrative people is about 40 people that have been eliminated right away. Plus our purchasing power that we have, because we purchase for all our campuses and our contracts that we currently have with other vendors we've seen a savings based on that, based on the contracts they currently have in place.

Council Member Kaplan: If you're eliminating the back office positions from the back office positions from the facility level into your corporate, Human Resources and IT all that stuff, are you charging back the community?

Beth Goldstein: Yes.

Council Member Kaplan: So they're going to have that expense no matter what.

Beth Goldstein: They're going to have a reduced expense. It's a \$500,000 fee that's being charged as opposed to currently paying a CEO, CFO, they're paying all those people now with very high salaries and we are going to be charge \$500,000 management fee for those services.

Mark Hennessey: Let me just clarify for a second. Council Member Laible has the floor. So we're going to continue on her line of questioning and then we'll move to the next Council Member and so forth just so we don't have too much confusion.

Council Member Laible: So I guess on that \$500,000 is that fee going to be collected right away or after the reserves are met? Because I know there's other things that have to happen first to make sure that that 92% that the residents are at risk and there's reserves. So will that management fee be collected right away?

Beth Goldstein: That's part of our operational expenses on an annual basis. So yes.

Mark Hennessey: Are you all set Council Member?

Council Member Laible: Yes, thank you.

Mark Hennessey: Council Member Kaplan.

Council Member Kaplan: I've got a bunch of questions but I'd like to start with a 30,000-foot view question. What happens if we disapprove Bethel coming and taking over this community?

Michael Heeran: So, procedurally, the court has ruled that they have the right to make this application. They have to meet the standards that any normal applicant would but nothing was waived by the court. Should that not happen and should that not happen timely because the facility is out of money, they will go to a backup plan, a plan B which is the focus deal which I talked about at the last meeting. That Asset Purchase Agreement has been filed with the court as the backup plan and there will be a court hearing to determine if they go to that plan which has to go through some procedures as well or they allow Bethel more time to secure regulatory approvals. So it would depend on what happens here. So if there's any sort of motion or indication that I would guess that we're not going to be able to approve this, it would be converted, they would go to the backup plan and that backup plan is for senior housing. That will under that plan the residents will lose all their healthcare options that they paid for. The Skilled Nursing facility will have to close. The Enriched Housing will have to close. Those licenses go away when the Article 46 license goes. They have filed closure plans. They are actively under review by the Department in case that does happen and we'll be prepared to handle that. This Council doesn't have to take any action at that point. If we don't approve the application they go there that would be mostly I believe under the court and the Attorney

General's Office would have to handle that. The residents have the option to stay and they will be given I believe the focus was around for whatever they're currently paying. But again, what they're currently paying includes healthcare but they're staying under that fee and they will be given 100% of their current refunds due and I believe the Asset Purchase Agreement that was just field says with no strings attached. So they'll get all their money back. They didn't, again the residents didn't choose that. That was the same option that was on the table when it was presented to the residents for the Bethel deal. But that's what the backup plan is. And again, we have to do this timely because there's no money to fund operational losses going forward with a CCRC.

Council Member Kaplan: Mr. Chairman I have 4 or 5 questions, would you like me to wait?

Mark Hennessey: No you have the floor go ahead.

Council Member Kaplan: It seems to me like the biggest risk is going to be on the 83 residents and not on Bethel since they're only guaranteed the 7 1/2% refund. Doesn't that seem like more of the risk should be on Bethel as opposed to on the residents?

Michael Heeran: Under this application that's the flexibility that's there. They've put in what we stated in this but as an organization they will have to fund even if, even if they don't achieve the savings, they will have to figure out a way to make this work. so they're at risk to make this work within at least at a break even point as far as that goes because there's no money available. Even though they're not paying people back, if they lose money they would have a problem because they would have to find a way to get more money and they're not for profit. So there's not a lot of options there. And again, that's what's stated in the Department of Financial Services review about them having concerns over the amount of equity available for this project and to make it available. So they are at risk in that they do have to, they are the operator. They are responsible for operating the community. It's just again the flexibility. They'll still hold that liability the residents its just, if they don't achieve it it won't get paid over, so if they're saying they're going to do it in 2 to 3 years and they don't achieve what they're going to, maybe 2 to 3 becomes 3, 4 and it gets drawn out but its my understanding it will always be there it will be held. Its not like it can be dismissed.

Beth Goldstein: Can I make a comment. I just want to comment just to familiarize everybody with the process, pre-bankruptcy and post bankruptcy many operators looked at this community and nobody could make it work. so the community was going to close. So when we looked at it and did our due diligence, we tried to come up with a way that allowed us to basically save the community to allow it to continue to be the place where the residents continue to live with the lifestyle that they originally bought into. And basically the current operators, there was no entrance fee money left. The money was gone. so basically although we're paying \$16,000,000 for the facility as a purchase price, we are assuming a debt of these entrance fees with no cash to back them up. So this was the only plan that we could come up with that allowed us to fiducially and ethically and morally continue their community for the residents that currently live there.

Michael Heeran: And I'll add within the law in Article 46 and that was a big barrier here. I will say that others came forward, Bethel came forward, this isn't what everybody preferred, this is what was decided was within the law. We still had to approve this within the confines of Article 46 and that's something that I've addressed and we will address in the future as a group about some of the barriers we have with Article 46 when communities get in trouble or they're in wind down mode. Its very confined and restrictive. It doesn't give us a lot of options. So there was a lot of back and forth with a couple groups and with Bethel in particular about what could be allowed and in then the court itself put some restrictions on that as well. So the two entities, I think this is what was come up as the best option. I wouldn't say it's the preferred option that Bethel wanted to do or anyone else but it's the only one that ended up coming forward to get to the court and presented here.

Mark Hennessey: Council Member Kaplan are you all set just in terms for right now?

Council Member Kaplan: Its to add to his point. Just to make clear though what the other option was, cause I don't think, I enjoy following the bankruptcy filings for some strange reason, the other option was to honor the refunds of all unsecure creditors those who have left and the existing residents, and eventually offer the commitment to Long-term Care insurance so they were going to honor that life care through an insurance policy. I don't know if that was feasible or not.

Michael Heeran: I don't think that's in the new APA that was just filed.

Council Member Kaplan: Well that would be important to know because that's a big distinction.

Michael Heeran: My understanding from the existing I did ask that specific question because I believe that was an issue with the court when we're talking about the negotiation process that happened at the end between the 2 entities that the current Asset Purchase Agreement as the backup plan and its filed now its my understanding that it does not include an insurance. Its just straight 100% refund per the current operator's attorney that its 100% of what the monies that they're owed and senior living at the current price.

Council Member Kaplan: Okay this is a very important point. So all the other offer is the advantage over this is that both the unsecured residents who left who are now going to get nothing for sure, pretty much for sure and those that are there now who are getting significant modifications would get their refunds but there's no offer of life care?

Michael Heeran: My understanding, I asked the Council for the debtor that specific question, what Asset Purchase Agreement was filed and what did it include? And I was told that it did not include any, because that was an issue in the hearing, did not include any sort of guarantee. They were going to self-insure. There was an issue over that and that was off the table. It was 100% of what you're owned back and then you could use it to do whatever you want, no strings attached. They could leave, they could stay at the currently monthly rate and stay in their apartment, just get their money back no health care close the, definitely close Skilled Nursing

and definitely close Enriched Housing that has to happen. That goes away with the Article 46 license. They were granted under the 46 license they go away with the 46 license.

Council Member Kaplan: But if they cannot offer the benefit of long-term care insurance of some kind, that's a very critical distinction between that application and this one.

Mark Hennessey: Council Member Sheehan.

Council Member Sheehan: Mike I don't know if you've discussed the issue of presenting these options to the residents for a vote, which do you want to talk about that a little? Because I think the record should reflect that the residents did have a chance to participate in the conversation and the selection.

Michael Heeran: I did right before you entered. Because I remember the kind gentleman next to me reminding me you weren't in the room. We did talk about the fact that there was a meeting held and the current residents were allowed to express a vote which was a 2 to 1 ratio in favor of the Bethel deal. They knew what they were giving up and they wanted to assume the risk of that to keep their community whole. That in itself to me defines what a CCRC is and makes it different probably from anything else out there is that these residents value their community and their community as proposed and as it is over the financial issues. That that's what they choose to value as a community. I can say I visited all of them. That's pretty standard for my CCRC's out there. They really value themselves as a community. They see this as a community. Its not a living place, it's not healthcare, I see a head shaking from my resident member but that's what they are. And that's what these members saw. They wanted to keep the community. They did not want to go to Senior Housing. They did not want to lose that identity and they did so at financial risk. And there is financial risk here we are very clear about that. But that's what they choose. I was surprised I really didn't expect it. And I monitored the whole process. So it was, but again being at the communities I was shocked. But it's what we have

Mark Hennessey: Council Member Davis.

Council Member Davis: Before I ask my next question, I think it should be said that we certainly appreciate the applicant's ability to get the Certificate of A in the time they did. Having done this my self it's a near impossibility. So congratulations there. And also to Mike and the Department for looking at all of this stuff which normally could take a year or so. So we should acknowledge both the applicant and the Department's ability to get this done within the very short timeframe that they had. But I have a whole bunch of questions, but the immediate one at the moment is, when the residents agreed to this, did they know what the residency addendum was going to be? Because in essence there is a bit of a gun being held to their head here because, if you don't sign that agreement, as I understand, you become an unsecured creditor. So did they know that when they consented to this arrangement?

Michael Heeran: Did they know the risk?

Council Member Davis: Did they know that they would be asked to sign a residency agreement that basically says, if you don't, you're an unsecured creditor? Unless I'm misinterpreting the residency agreement.

Beth Goldstein: Yes, because that was all delineated through the bankruptcy process and in the judge's decision and I testified to it as well as our Toby Shay from SK Advisors. So everyone was aware of what we were proposing and what would have to be done. And all the residency agreements have been signed. All the addendums have been signed.

Council Member Davis: Yeah but to be honest, there's not a lot of choice. As I understand the residency agreement because if you don't sign it, you're out of the community.

Michael Heeran: But that lack of choice is I think a flaw that we need to address as a group in Article 46. Because many people have come forth, out of state people have said that other states don't do it this way. We, my understanding and I'll look at Cynthia back there and we looked at this, they cannot run a mixed model. You have to be under a contract to stay at that residence. You have to be under a residency agreement. And we told Bethel, you couldn't do that. You can't leave people sitting there as squatters per se and just pay a fee. You will have to take action and we told them we'd address it at the time but as we read Article 46, to be a resident to live at that community you have to sign a contract, a residency agreement. We couldn't see any way out of that. And so that's what we under the law had to tell them to do. And again, a lot of this application is not what Bethel preferred or anybody preferred we had to follow the law. And that's something we really need to look at as a group because when communities struggle, that's going to put us in a bind and we, by the law, the operator as to do what they have to do. So that's the appearance, I understand. But again, I will go back to when they had a choice. They still expressed by a 2 to 1 ratio that this is the choice they wanted without that gun being held to their head per se.

Mark Hennessey: Okay Council Member if you have additional questions, or comments?

Council Member Davis: I'm good for the moment.

Mark Hennessey: You're good for right now?

Council Member Davis: Yeah.

Mark Hennessey: Council Member Sheehan.

Council Member Sheehan: You talked about the \$500,000 management fee. I'm looking at the document which is the attachment B the financial feasibility analysis; it doesn't identify a management fee in that schedule. It also identifies administrative services of about \$2,000,000. Can you talk about the relationship between the event management to be and the schedule you submitted?

Beth Goldstein: I'm going to defer to our financial advisor.

Mark Hennessey: And if you would, as soon as you sit, please remember to state your name and your affiliation if you would.

Toby Shay: My name is Toby Shay with SK Advisors and I'm the financial advisor for Bethel and this transaction. So the question was, I think the root of it was where is the \$500,000?

Council Member Sheehan: As identified in our prior conversation the \$500,000 management fee. And in the schedule which was submitted, the schedule attachment B which your organization prepared, walk through a breakdown of specific expenses this doesn't talk about that management fee. Is that in addition to this? How does that fit in with what's in the schedule.

Toby Shay: Sure, the management fee is within along with marketing costs and some other administrative costs are contained within the Administrative Services.

Council Member Sheehan: And the prior discussion you had Ms. Goldstein about the management fee and what it covered. When you look at the 40 positions we talked about eliminating, were they Administrative Services positions or were they just the type of services which, it's not being clear here. The \$500,000 management fee is that a contracted amount?

Beth Goldstein: Yes, it's the amount for the billing services, human resources services, CEO, CFO management services, IT services, those types of things, purchasing of insurance that we do.

Council Member Sheehan: So the Administrative Services in addition to that \$500,000 a year a million and a half, what does that cover?

Beth Goldstein: Marketing, a lot of marketing basically. We budgeted a lot for marketing the community, rebranding the community.

Toby Shay: And then there's also some of the back office, there will be a bookkeeper on site and that kind of stuff so there's still some folks behind the scenes but by in large the largest components of it would be in the marketing. Because we sized the marketing to be.

Mark Hennessey: I would ask that you get closer to the microphone. I can see the people in the back I think struggling to understand what you're saying.

Toby Shay: We sized the marketing costs as if it were a start up community. So we worked actually at the very beginning with Love and Company and recognized our expert in marketing in the field to help come up with that and so there's a healthy number in there for marketing as well.

Council Member Sheehan: So the management fee, there's a contract, a management contract?

Beth Goldstein: Yes.

Council Member Sheehan: Which articulates the basis for the fee.

Beth Goldstein: Yes.

Council Member Davis: So if I could just get clarification so, you're not planning to have another CEO at the Knolls if that's what it's called? And a CFO because I have a very similar situation to which you're describing and my advice is, my suggestion would be its very hard not to duplicate a lot of this stuff because of physical distances and the presence that the residents and the staff require. So what exactly, you're going to have to place certain key executive positions, what will they be if any?

Beth Goldstein: We will have an Executive Director there who is also a licensed Nursing Home Administrator so he will be there full-time on a day-to-day basis running the campus.

Council Member Davis: Outside of the fee or inside the fee? Is that part of the fee or is that in addition to the fee, his salary?

Beth Goldstein: It's in addition. That would be an Administrative fee that's built into their budget, their operating cost. We are 7 miles from the Meadows or the Knolls, so for us logistically for me as a CEO, it's on my way into work, it's on my way home from work so its not logistically an issue for us managing our time between our campuses. All our campuses are within really 7 minutes from each other. So we don't foresee that being an issue. We've already been using our resources. Our HR Director has been down there on boarding staff getting all the paperwork signed that needed to be done. Our MDS person is down there working with the Director of Nursing. It will have, of course, its own Director of Nursing and its own direct care staff. But the overall corporate management will be coming out of Bethel, the Bethel Methodist Home and the logistics of it since the campuses are so close won't see to matter to us.

Council Member Kaplan: I don't mean to pile onto this subject but just on the same subject, you said there's going to be a savings of \$2,000,000 in operating costs. There's going to be a \$500,000 management fee so that leaves a million and a half cap or is there still \$2,000,000 going to be saved on top of the management fee?

Beth Goldstein: There's still money saved. Like I said we went through their staffing, they currently pay a CEO, an Executive Director...

Council Member Kaplan: I already get that, I don't mean to be rude, I'm just trying to move it along. You said there's going to be \$2,000,000 in savings. You said you're going to charge back \$500,000 in management fees for the CEO and HR and IT and all that stuff. Does that

mean now there's a savings of only a million and a half dollars or there's still \$2,000,000 savings?

Beth Goldstein: No, there's still \$2,000,000 in savings.

Council Member Kaplan: And that's going to come in the form of group purchasing and insurance because you have a bigger group of insurance that's where the \$2,000,000 is going to come?

Beth Goldstein: Right.

Toby Shay: Can I address that? There's a very onerous dining contract on them right now that will be eliminated and has already been renegotiated so that factors in. That's about \$300,000 believe it or not and then property taxes is a big component. Right now they're under a pilot agreement which goes away and that saves about \$500,000 a year. And

Council Member Kaplan: What's going to be one nonprofit or another?

Mark Hennessey: Let's just take this one at a time if you would please members if you could. I just want to make sure that we can have a good nice discussion.

Council Member Kaplan: So on the taxes though one nonprofit or another nonprofit, what's the savings?

Toby Shay: The valuation of the community. So the valuation, the pilot, obviously we weren't privy to how the taxes of the pilot was generated but its significantly more than what the property taxes would be based on the current valuation of the property. Recent review by Greenberg. So there's other things, the cost reductions aren't all on staff and those sorts of things, that's a component of it but there's some other structural things in there in terms of the way that it was run before that add up to significant dollars when we put them altogether. Not the least of which are some of the contracts. They outsourced a lot of things and those are very expensive and Bethel can do them must more effective.

Council Member Kaplan: Are you going to bring them in-house?

Toby Shay: Bring a lot of that stuff in-house yes.

Mark Hennessey: Again, I think we had questions from this side, possibly from Council Member Sheehan I think.

Council Member Sheehan: The, I'm not sure whether we're in position to ask for, when the contracts are negotiated, the ____ contract is there a separate Board for the community or is it all part of Bethel as one entity?

Beth Goldstein: The community is the Board of the Bethel Methodist Home which has a separate Board from our other entities. They have common members but each entity has its own Board.

Council Member Sheehan: And the \$500,000 contract per year how long does that go for?

Beth Goldstein: Annually. We do review, we do time _____ we do things like that.

Council Member Sheehan: One other question. The facility is not in great shape at the moment as your survey shows and there's a lot of work that has to be done before it is fixed up enough that you can market it. Where is that shown in the schedule B, the attachment B? The cost to.

Beth Goldstein: There's \$6,000,000 in Cap X funding through the bond issuance.

Council Member Sheehan: I got it okay.

Mark Hennessey: Council Member Davis?

Council Member Davis: So just to clarify the pilot goes away?

Beth Goldstein: Yes.

Council Member Davis: And you're now assuming full tax assessment on the property.

Beth Goldstein: Yes, which is less than the pilot.

Council Member Davis: And you know that for sure?

Beth Goldstein: Yes.

Council Member Davis: Because you're dealing with the Osborn case and I don't expect the Town of Greenberg is going to be entirely sympathetic. But you know that number?

Beth Goldstein: Yes.

Council Member Davis: So the \$2,000,000 that you're going to save which the report identifies as coming from that, the contracts and the overhead, you're confident that's going to get you the \$2,000,000?

Beth Goldstein: Yes.

Council Member Davis: Okay.

Mark Hennessey: Just a question on my own part. You say that you know that the pilot agreement payments go away what is that based on?

Beth Goldstein: Conversations that have been occurring with the town and the recent revaluation of the property which actually had a letter in the file that said, "Should there ever be a reevaluation the pilot end of the taxes wouldn't be over the amount that we put into our budget, the \$750,000.

Mark Hennessey: So what is the current pilot agreement payment amount per year?

Beth Goldstein: 1.4.

Mark Hennessey: 1.4 okay and the proposed payment after re-evaluation would be you said \$750,000. Okay I just wanted to understand that.

Michael Heeran: Maybe this will help too. Do you know off, because you've been running in there with the books because you've been paying the \$200,000, do you know the valuation approximately of the Executive Staff that will be eliminated in this contract? Do you know ballpark?

Beth Goldstein: Partly we know that they have an Executive Director making close to \$200,000, CEO making \$300,000 and Executive Director making almost \$200,000. They're paying I think it's the IT...

Mark Hennessey: Would it help if we put additional chairs there so people don't have to keep going back. Just pull a chair up if you want, they're not tied to the floor.

_____: My name is _____. I'm the CFO of Bethel. They have approximately 4 IT staff making over \$600,000 and not only is it the staff but you have to look at the benefits that you have to add on after that which can range somewhere in the range of 30%. There are office managers that will be going away. There are high-level activity staff making \$70,000. Activity person makes \$35,000 they don't make \$70,000. We have social workers making almost \$80,000. They make \$50,000. So there are things like that that we are looking at. We are reevaluating the staffing of adult daycare program. The contracts in adult daycare. So we're looking at all the different areas. And we definitely come over \$2,000,000 in savings ultimately.

Council Member Davis: Those are 1199 employees you're talking about?

_____: Some of them.

Council Member Davis: Well then you can't do much with those folks. \$50,000 to \$80,000 social worker?

Beth Goldstein: No.

Council Member Kaplan: But if you start turning over a lot of these high paid, people who are paid too much, that's going to definitely have an adverse effect on the residents who like to see continuity and the same people all the time and if you start swapping everybody in and out isn't that really going to have a detrimental effect on the residents and the quality of life in the community?

Beth Goldstein: We are not, in the actual CCRC itself we are not eliminating any of the people that are their direct care staff that I have gotten a multitude of letters and recommendations for. So they are cultural arts people. They are nurses, they're housekeepers, they're maintenance staff all those people will remain. This is more for the high level management staff as well as adult daycare which we also run an adult daycare, that's one of the programs we run, looking at it, seeing how the staff, seeing the salaries that they're paying to people who, they had an organization that was much larger before and then as they downsized they still tried to keep some of those people that they had when they were a much larger organization and who have worked for the organization a long time whose salaries have crept up overtime. So there's no, within the CCRC and within the Skilled Nursing, and the Enriched Housing, those staff members will all remain the same.

Mark Hennessey: Any other questions from Council Members? Dr. Kaplan, Council Member Kaplan.

Council Member Kaplan: I wrote down a couple. You want to open up the Assisted Living or the Enriched Housing and the Skilled Nursing to the outside community for 7 years. Out of the 10 Assisted Living and 20 Skilled Nursing beds how many are occupied right now?

Beth Goldstein: There's 3 Enriched housing beds occupied currently at this time and there are 15 Skilled Nursing only of which 12 are there long-term, 3 are short-term moving back to their apartments.

Council Member Kaplan: In your experience in running the CCRC what's, and I know it varies by the resident but what's the average amount of time before an Independent Living Resident has to move to Assisted or even to Skilled Nursing?

Beth Goldstein: We're not CCRC operators so I can't say that. I know that in our continuum, we try to keep people as independent and in their apartments or the appropriate level care and we can continue to do that because we also have Certified Home Health Agency and a licensed Home Care Service Agency so the goal would be to keep people in their homes, in their apartments and at the appropriate level of care as long as we can. So I, you know...

Council Member Davis: Would you like some help?

Beth Goldstein: Sure.

Council Member Kaplan: As a CCRC operator, it really varies. At the Harbor site for example, my total center would be filled up if it wasn't for the fact that so many Independent Living residents want companions and they don't want to make the shift and its not until it becomes an unsafe environment for them or for others that we really force the issue. So it's a hard question to answer which is why the state came up with revised guidelines after the 7th year for all of us. This kind of reduction in what you can do each year but you can bring in beyond the 7 years even now for existing CCRC. So I think it's a question that varies from community to community and circumstances.

Council Member Kaplan: So certain employees who are unionized, those are more of the low level staff, housekeepers, cooks, dishwashers those kind of employees, are they 1199 or union?

Beth Goldstein: The housekeeping, maintenance, CNA, RN, drivers are all 1199. The dietary will be local 100.

Council Member Kaplan: So that shouldn't have any effect on the expenses?

Beth Goldstein: We've already factored in those expenses.

Council Member Kaplan: Last question. You're going from the Hebrew Hospital to the Bethel Methodist?

Beth Goldstein: And I'm Goldstein. (Laughing)

Council Member Kaplan: How does that affect the residents? By the way the CFO how does he weigh in on this? (Laughing)

Beth Goldstein: We are a nonsectarian organization. We started out as a Methodist Home and we do currently, its not a condition of membership on our Board but we do currently have 2 Methodist reverends on our Board but we are totally nonsectarian and it doesn't factor in. They're not really a Jewish facility although I would say 90 to 95% of the current residents are Jewish but they do have residents that aren't and they're not a religious organization in the sense where they're kosher or they only provide Jewish programming or things like that.

Mark Hennessey: But those, I'm sorry Council Member Davis had a question but could I just for one second, but those kinds of services for residents who may want to continue having kosher meals, those will still be available?

Beth Goldstein: Absolutely.

Mark Hennessey: Okay, I just wanted to make sure. Alright Council Member Davis.

Council Member Davis: So I just have some concerns about the fill up schedule as it relates to the SK Advisor's positioning analysis to some extent. And I'm not saying this won't happen or you can't do it but you're going to be renovating the facility and again, I don't know how much stress testing has been done with these fill up projections. You're going to be renovating the facility I can assure you its going to take at least 2 months to get permits out of the Town of Greenberg before you can start any work. You're moving into the very slow months ahead of you. The wintertime is not a good time to attract CCRC residents. They tend to be in Florida or won't come out if it snows. You have the cloud of a bankruptcy over your head and a sponsor whose financial condition, as reported by DFS is very weak and I can assure you you're going to get a call from every resident, their children, their accountant and they're lawyers questioning your financial status. And they are troubled when they see weak financials both in this case coming off of a bankruptcy and the sponsors about putting 200 or 400 or \$600,000 down looking at those financials. I think you're underestimating the competition. You're now going into Type C contracts which means the Atrias and the Bristles come much more into play than I think your report of knowledge is. I do not agree with your assessment of the Osborn, one of the premiere CCRC's in the State of New York which you kind of kept at a very low level and they are a Type C so you'll be bumping heads with them. I understand there's some price point differentials which will help you but you are competing with the Osborn on a Type C contract. And then you have a lot of residents I understand that are in their 90s, maybe averaging in their 90s and you're going to be looking at a lot of attrition. So when I look at some of the assumptions you made, some of the headwinds you're going to face here from getting permits to the bankruptcy cloud, I'd be concerned, if this was my organization, that I could achieve this fill up. Just a comment.

Mark Hennessey: Would you care to respond?

Toby Shay: Sure. All good points and we certainly agree with there's going to be some headwinds and we didn't assume that we were going to start right away selling units. We assume some time it was going to take. We also didn't rely on just our or Bethel's expertise. We worked with Love and Company too to come up with a schedule that they could live with that they could hold themselves accountable to. And I think the comment about the level of stress testing and Mr. Heeran had commented on this earlier that the way in order to keep this a CCRC, in order to keep the opportunity for existing residents to keep their community and to have an opportunity to get their refund back at some point in the future the structure that we have allows for a lot of flexibility. So you aren't going through the initial I'll call it refill period. And chasing yourself on paying refunds through that attrition. So it does allow for a healthy amount of flexibility in order to keep things going even if they don't go according to plan.

Council Member Davis: Okay so you feel comfortable given all those nuances I just mentioned, you have stress maneuverability within your...

Toby Shay: Yeah, I guess another way to put it to address that directly, none of those headwinds that you relayed, I'm not sitting here saying, "Oh my goodness, we didn't consider those". We absolutely were well aware of those types of headwinds and assumed and tried to build that in.

Beth Goldstein: Just a comment on the zoning. To the credit that even though they're a bankruptcy, the buildings not falling apart. So when we come in and we say we have to come in and we're going to put immediate improvements in, it's a lot of interior decorating. Its common space, carpeting, furniture, and dining room renovations and things like that. So its not changing the blueprint of the building or anything that zoning requires. Yes, there are apartments that need to be renovated and things like that but nothing that really requires permits.

Council Member Davis: So, the majority of the work does not require permits?

Beth Goldstein: Correct.

Mark Hennessey: Council Member Laible.

Council Member Laible: So Council Member Davis had raised a couple of issues with its going to take time to get the marketing in place, renovations to be done and that. So let's say that you don't have that \$2,000,000 savings right away. How long do you think that that 884 working capital will last if you're not seeing your projected savings immediately?

Toby Shay: Sure, a couple of things; 1) because of the nature of the bankruptcy a lot of those savings are going to be immediate. Most, actually all of them I think are going to be immediate because you're eliminating contracts. You no longer have any obligation so you're able to move forward. But that being said, the way that that was sized based on the, we actually assumed that there was a couple of month wind down when in fact there won't be. And so the almost \$900,000 actually allows for I think almost a year based on the projected burn rate to continue to fund operations.

CFO: And we don't think we're going to have that burn rate.

Toby Shay: Great point. That burn rate was based on some conservative estimates both prior to Bethel being able to, in the last month since they've been in there funding operations, they've been able to get in and be on the ground and really see and interview staff and all of those things. We believe that very strongly actually that there's going to be, the burn rate that we had projected is going to be higher than what actually would be in reality because there's some additional savings that have been identified that weren't included in this study.

Council Member Laible: And then for payer sources for things like the Adult Day Health Center are those contracts already in place or is that something now that you have to start fresh from until you start collecting on that?

Beth Goldstein: It's predominantly Medicaid so working on that licensing, getting the license approved and so that would be as soon as we get our provider number we'll be able to bill for those services. And there are some managed care contracts, MMLTC Contracts that we also have them as Bethel as an organization so we'd just be calling them and getting them revised.

Council Member Laible: And then lastly, for the opening it up to nonresidents, do you have a percentage of a cap that you will keep that up for how many nonresidents you'll be allowing in?

Beth Goldstein: We don't anticipate having less than 5 beds available at any given time for the current existing population.

Council Member Kaplan: In the Enriched or Skilled or both?

Beth Goldstein: At both, right now there's only 3 place and 3 in the Enriched.

Michael Heeran: And I believe one of those 3 is actually a noncontract holder.

Beth Goldstein: Yes.

Mark Hennessey: Are you all set?

Council Member Laible: Yes.

Mark Hennessey: Council Member Davis?

Council Member Davis: A question. The way I look at the financials and I could be wrong because I'm not you, the residents, the full residency addendum will not be fulfilled for at least 7 years. You've got bond sweeps at 200 days and its going to be a while before anybody gets the full addendum back. What happens to a resident if for whatever reason he or she leaves the community in the next 2 or 3 years?

Toby Shay: Actually if I can point something out because it doesn't come through in the financials that in 2019 while its still carried in the contingent liability amount, the community is actually caught up. So the attrition that's happening in those past years is related to normal attrition. So does that make sense? So even though its still on that contingent liability amount line item, its actually caught up in terms of the entrance fee refunds that are being paid on folks that are assumed to be moving out.

Council Member Davis: Okay, so I'm a little confused. Cause you need to get the 300 days cash on hand before you're going to honor the full, the revised addendum agreement. When do you think that will happen?

Toby Shay: 300 days cash will start to be able to repay some of the entrance fees within early 2018 I believe and because that allows for the testing to occur to have had that stabilization occur and cash to accumulate. So 2018 and into '19 you really are able to catch up with and its really the power of being able to say the flexibility that's afforded by saying just holding off on paying the maximum amount, the full amount of the refund to allow for cash accumulate and the community to get back on solid financial ground.

Council Member Davis: Just 2 others, because obviously its important to this Council and to the other retirement CCRC's that the residents be made as whole as possible. That's a bottom line issue.

Toby Shay: And I think, if I can add to that, Mr. Heeran had spoke to it, this is not Bethel's desired structure and its really done within the context of what's allowed under New York State law.

Council Member Davis: I have no doubt about that. Just a couple of other things. I think its good that the Department will be monitoring this on a monthly basis. I think that's critical. They'll also be monitoring the Skilled Nursing and the Enriched Housing on an annual basis which I think is reasonable as well. So, I applaud you Mike for putting that in there. And then I think the other thing we should acknowledge because we did talk at the last Council meeting about what I call "tweaking of the regulations" and I think we talked about this application would be treated as if it was a new application when in fact we are granting temporary relief under Article 46 here, it says on page 11 for both the reserve and supporting assets. So I think we do need to acknowledge it and I'm not saying it's the wrong thing to do, perhaps it's the right thing to do that we are giving relief under Article 46.

Mark Hennessey: Any other questions for the applicant? Internal discussion amongst ourselves right now? Go ahead.

Council Member Laible: Are they going to present still?

Mark Hennessey: No, I think the presentation was done by Mike. We've had some questions. We're also going to take some time next to hear from, actually I take it back. You are kind of right in that we will give them an opportunity to say anything that they might want to say about the application and we'll also hear from members of the public. So are we ready to move onto that next phase? Council Member Sheehan.

Council Member Sheehan: So looking at the very well crafted package the Department of Health put together, the question that I wanted to talk about is, if we should approve this arrangement, and we talked about the risks that this goes to, what is the oversight plan for the DOH or the DFS side to watch the, it says monthly reports but the question is what kind of oversight activity will DOH exercise over the operation of the organization?

Michael Heeran: So, we'll look at what I put in the conditions for the oversight. We'll monitor them probably monthly to start. I've gotten to know Beth and Stash pretty well through this process so we know how to get a hold of each other and we'll be in communication. Because there's really not, we all don't want to get into Westchester Meadows II the sequel and that's the goal here. And that was well understood and we made that clear in conversations with Bethel. You're going to be heavily monitored here to make sure you're not only doing what you say in the application but doing everything else we've put on you. So there will be a monitoring against projections and where they're falling short will have to be immediately addressed

because as we say in the application, there's not deep pockets to fund any significant adverse effects. So we'll have to talk about that. And again, the residents are at risk here and their payments. We want to make sure they're protected. I'm sure I'll be hearing a lot from that group in the future because they're now party to this whole arrangement. They're going to be at risk with Bethel in this venture and I'm sure I'll hear many things.

Council Member Sheehan: So the follow up question on that if I could is the transparency issue. Will the residents have access to these monthly reports? Is the plan to share those with the residents in some way if we require them to be shared in some way?

Michael Heeran: I think we not only need to be transparent with the residents, we need to be transparent with the Council at Council Meetings. I intend to bring them forward. you as a group will probably want to ask me at the next meeting whether its in May of next year or if we have to do an Adhoc before then for the Gerwin application, I expect that you're all going to ask, "How is Bethel Methodist doing"? And you eventually will get there with the other CCRC's too. So I'm hoping that's our interaction as a group going forward that if you have concerns about a community you're raising them and you're asking us to do things maybe above and beyond. You have that power in law and reg to require me as a staff person to go out and do things that you're concerned about and report back to you as a group. And if that's something you want to do here, that's something you can do as well and make it known to us this is what you should do with them and this is how you should monitor them and we'll do that. That's your power of the group.

Council Member Sheehan: Well I guess my question for Bethel, the Attorney General's Office got a substantial number of calls and inquiries and I'm sure Health has too and all is well with the pitch was the statement from Westchester Meadows until it went down. What is your communication plan with respect to the residents in advising them what the financial situation is and how you're doing month to month and knowing what their situation is.

Beth Goldstein: Well we said officially we would provide them annually with our audited financial statements. And I've been meeting and will continue to meet, I have a plan myself and the Executive Director and whoever else they'd like to hear from on a monthly basis to meet with the Resident Association or Association they call it, Resident Association and answer whatever questions they might have and give them any information that they might want to hear.

Mark Hennessey: Council Member, actually can we take Council Member Barnett, please.

Council Member Barnett: I'm listening as a person who was involved in living in, it might not be the most perfect situation but the situation is having a CCRC and not having one. And for people living in a CCRC it would be a terribly frightening thought not to have to pick up, move, change your whole way of living. So with the oversight that you will be giving and mostly the questions have been answered and the idea of speaking to the Resident Association once a month is an excellent idea. Those questions will come up. So I feel that you have really given great thought to the people involved living in the CCRC.

Michael Heeran: As a resident is there any sort of, from your perspective what would make you feel more comfortable from an oversight perspective being in that situation?

Council Member Barnett: I read these very carefully. And I think its not a great situation, nobody feels good when there's a switch particularly when you're older. But there has to be one. This place I'm living in went bankrupt let's say. So given all these circumstances, I feel this is about the best option, the most comfortable option for the people who are the residents of the CCRC.

Mark Hennessey: Council Member Davis.

Council Member Davis: Thank you. Maybe I missed it but I know at the Public Health Planning Council, I listened to that webcast too, they didn't approve the equity contributions sitting on the books of one of the nursing homes. How has the equity contribution been resolved?

Michael Heeran: It's been resolved through a negation with the Department. There will be a loan made against Bethel Nursing Home, the equity in their property and that cash is either, has it already come over, nope not yet. Playing timeframes here, will be transferred and they showed proof of that and its been, look at Charlie, acceptable to the Department. Arrangement has been acceptable to the Department that the big concern there was to build a firewall. Not only between the CCRC and the Nursing Home but both ways to protect, you don't want creditors coming across to get at the assets. We have large interest fees being paid in here. You don't want creditors coming across and doing that and you don't want people from the CCRC going after the assets of the nursing home. We need to keep this entity separate and there was arrangements. A lot of this is going to come about because we've asked Bethel to move a lot of their services from their operator up to the parent organization which will kind of isolate everything else. So there's been discussions. Its been a big heated fast discussion between the Department and Bethel to work out those things because of timeframes.

Council Member Laible: So I know that we're able to ask you to give us an update like 6 months from now an update. Can approval be contingent upon the facility coming and giving us an update or it would just come through you?

Mark Hennessey: We could make it contingent upon them coming back and talking to us.

Michael Heeran: As a group that would be a condition because the contingency has to be satisfied before approval, so you could amend this to put extra conditions on that you as a group feel, that's my understanding of how it works. You have to amend right now, its to adopt the proposal that's in front of you with contingencies and conditions. You could amend to add. Your group you can make them come in here. You could make me do something. You could make us do on-site inspections. You could do whatever you want to do as a group that you can add, you would have to amend and then agree to that amendment.

Charlie Abel: Charlie Abel Deputy Director for Center for Healthcare Facility Planning Life and Term Finance. I would only caution with respect to crafting conditions that they not be so onerous that would cause the lenders to consider that the facility was at risk simply because of the conditions that your affixing to the purchase. It may create a problem for the lender in terms of closing on that loan.

Mark Hennessey: Is it better for them to make a requirement of the Department instead?

Charlie Abel: Clearly hearing from the facility in terms of status how things are going. Even providing advice in terms of what should happen next, all those things are fine. What I thought I heard and I just wanted to clarify, your approval its difficult to craft language to say that your approval is conditioned upon something that may not happen with the applicant in 6 months or a year or even a little bit further time period simply because if you are withdrawing your approval if it can be inferred that the approval will be withdrawn if they don't meet these conditions, the lender may not go forward with extending that loan.

Mark Hennessey: But to that point not necessarily as a middle ground, is we can call whatever CCRC we might deem to bring back and present whatever we may want them to present as a CCRC Council. So it is possible to hypothetically approve a motion as written or as stated and then at the same time make an arrangement that in a months time or every couple of months time we would require something. We can do that.

Michael Heeran: Direct the Department to gather whatever information you deem necessary is I believe how the law states. So you can tell me to make sure to get report from them and then report back to you as a group, do that too. Its more work for me. I'm open to that.

Mark Hennessey: Council Member Kaplan?

Council Member Kaplan: I don't think its necessary to drag them up here every month or whatever it is but maybe just way a quarterly report on actual vs. budget with expenses, with occupancy. And they can do that through you and you can give it to us. I don't think its necessary to drag them up here every month.

Michael Heeran: So quarterly reporting would be, I'm going to do monthly monitoring but we can do quarterly formal reports.

Council Member Kaplan: I'm just taking off on Ms. Laible's idea.

Michael Heeran: I'm throwing it out there.

Council Member Laible: I would like that.

Michael Heeran: Sure, we'll do that and then I'll be prepared at any Council meeting to bring forth the quarterly reports if its approved, Bethel Methodist Home and we'll review.

Mark Hennessey: Any other questions for the applicant, internal discussion right now before we bring the applicant to actually present for themselves. Anything else? No. Alright so we just ask, before we call for a vote the applicant and I know there's at least one member of the public. Does any of the members of the public have anything they'd like to say prior to us taking a formal vote? We're ready. So if the applicant will go first and then we can have anybody from the public and Mike you have the name of someone from the public who's interested in speaking?

Michael Heeran: Does Bethel have anything to add?

Mark Hennessey: Any further to add?

Beth Goldstein: No.

Michael Heeran: So we have somebody from, just come forward and sit right there by the microphone and please let us know your name and your interest in this project.

Andrew Popik: Good morning. Thank you for allowing me to address you. My name is Andrew Popik, my father is a resident with a B Type Contract at Westchester Meadows currently. I'm a graduate of the University of Pennsylvania with a degree in economics. I was an accredited analyst for a major money center bank having completed their financial training program. I then moved to investment banking where I focused on asset based lending. I then attended MIT where I was awarded a Masters Degree from the Center for Real Estate specialized program underwritten by the various departments of MIT and at the time Harvard. Since then, I have run my own real estate and construction firms specializing in technical assets. I present my background to you so you understand the basis for which I have looked at this work out situation. From personal experience, I can tell you that I know how difficult it is to say no to well intentioned people who believe in what they are doing. I can also tell you that sometimes it is necessary. I base my comments on the Public Health and Health Council documents dated 8/24/16, documents filed with the court and on various documents posted on your own website for the meeting today.

First, I would tell you that the financial presentation is weak. Any analyst who came looking for approval upon an application like this without including the sensitivity analysis for you to have in hand with the major variables that are being discussed would have been rejected out of hand for lack of due diligence and you should probably do the same. That aside, I would call attention to the assumptions that the applicant themselves call out is significant. They define 2, there are actually 3, they've been discussed here a little bit this morning. Excuse me.

The first is the statement that Bethel will realize a \$2,000,000 cost savings. You all have challenged this a little bit this morning. But without specific descriptions and explanations of how these savings are to be achieved vis-à-vis the monies that have been spent in the past, these statements are just statements yet this is a key assumption. Even if we accept this as given,

analyzing the monthly expense files that have been posted in the bankruptcy court yields significant concerns. Look at these and you will see that Westchester Meadows is currently losing approximately \$2.7 million a year. A more realistic view would be to project out the last current months' and you will see a loss that is more like \$4.2 million per year. Even accepting the reduction of \$2,000,000 as a given, this leaves a deficiency from \$700,000 to \$2.2 million. Keep this in mind that as per the filing, Bethel Methodist Home has no cash and no financial resources to support this project. Originally in early filings, \$4,000,000 worth of financing was being designated for operating capital. That number has been reduced to \$884,000. It is quite likely that the funds will be stressed in the first year of operations and a slight change in either the savings anticipated, the occupancy projects or both resulting in this project falling on itself very quickly. What then does happen to all the current residents both Type A's and Type B's if this project goes belly up?

The second key assumption identified in this filing is the projected occupancy rates. The automatic assumption that sell 24 units this year that can be achieved is problematic. It assumes that sales can be driven while the facility is being repositioned as discussed previously. The facility is right now categorized as an atrocious state and is going to be raised to an average state. I find it hard to believe that \$6,000,000 of paint and furniture is going to take care of this. In actuality the condition will descend much further as the facility is placed in total disarray during a renovation.

Another issue is whether the younger residents as are indicated in the projections can be attracted to this facility and it is yet to be tested. Anybody with a history of real estate is aware of the case study of Century Village in Florida and know that this is actually not feasible.

There are other items affecting these assumptions as well including upcoming competition from other large projects that have not even been mentioned. The anticipated turnover calculations with the average age of 90 and other issues that all negatively affect this assumption.

Lastly, the negative impressions of Westchester Meadows and the specific hardships that the current residents are going to suffer make this facility a very hard sell. I was against my parents coming here in the first place, overruled by the notion held by my parents that the state will be monitoring things. With a failed CCR on record, significant losses to the residents and the weak financials of the operator a matter of public record, what financial advisor or family member is going to allow this decision to be made under these circumstances? In fact one concern you should all have will this cast a stain on the entire CCR industry? Does this pass the USA Today test? Would you want your name and picture alongside an article on what happened to the existing residents in a widely dispersed publication? I ask you who are experienced in this field, do you really agree with the assumptions? If you were going to be held personally accountable on the information you have in front of you today, would you approve it? There is no doubt in my mind that the Bethel team is sincere, absolutely no question, I want to make that very clear. But one must question whether they are overly optimistic, trying too hard to make this project something it is not and that is feasible. Keep in mind, not one actual CCRC operator and over

2,000 were contacted, was interested in even bidding on this project. If that doesn't tell you something, I do not know what does.

There's another simple way to confirm my conclusions. Besides looking at the repeated disclosures about the risk of this application in every document, you can look to the financing. In this age of low rates a full half of the financing here is coming in at 7% almost 3 times the 30 year key note and even more remarkable is that its secured by the property and it's a tax exempt issuance effectively pushing the rate even higher. The balance of the financing is no better. While nothing wrong is being done the financier specializes in high yield opportunities. I trust you all know what high yield is a euphemism for. It's a nice way of saying chunk. Additionally this property is probably worth more dead than alive, the value of its real estate being greater than it as an operating CCRC. This fully protects the financier which might explain their comfort with this deal. Even then there are special accounts being demanded for debt service and financials. If you think about it, you would never approve this deal coming to you as a new deal. You would not be happy with the financials. You are looking at a situation that is probably the most compromised coming before you and that you also are being asked to allow the financial reserve to be cut to minimum levels.

Then the last assumption, the revised CCRC Residency Agreement. It is not much of an assumption as the CCR residents have been notified that they had to sign these agreements or they had to move out or pay a new entrance fee. That was the choice given to them. I won't even go into the fact that they are paying higher monthly fees than the others in the building when they come in as new tenants or residents. This last assumption is where the judge in his ignorance of CCR's made a terrible error in his interpretation of the mission and in his choice of the alternate application. It is not just about housing but its about security, independence, and control of one's destiny as it relates to navigating the aging process based on resources utilized. One could argue this became the only mission of Westchester Meadows when they stopped offering A contracts more than 5 years ago. It is the only mission that Bethel was claiming to adopt. I'm sure you all understand this intuitively.

Sorry, I talk a little fast. Quite honestly this does not affect my father. He must rely on us now and he is fortunate because 4 children with both the mindset and resources that his residence and his care are independent of whatever happens today. The lack of any assets passing through his estate will not make any appreciable difference in any of our lives. However there are those residents that are not in this situation. They've been abandoned by the courts and by the state. There are those who are trapped, unable to move to the next appropriate level of care as they cannot access the resources they counted on. You wonder why the average age in this facility is 90. Ask yourself that question. In regard assets delayed essentially are assets denied. This includes both A and B contractors. It is worth mentioning that the vote that was held on the different options if a bit of a moving target and really not fair to even discuss. There were over a dozen different offers in about a 2 day time period before the tenants were asked to vote on this. Furthermore, you really have to question the ability of a group of the average age of 90 to interpret the legal aspects and the financial aspects of these offers. Had a social worker been seen to the residents or an elder consultant, the real needs of this population might have been

determined. If this had been approved, if this is approved, pardon me, these are the ones being victimized here. All the financial risk has been shifted to them and if the project is not sustainable financially at all which is a definite possibility, they will lose everything. I thank you for your attention. I think I said it all.

Mark Hennessey: Council Members have any questions for Mr. Popik. Did I pronounce that properly Mr. Popik.

Andrew Popik: Yes Popik, thank you.

Mark Hennessey: Council Member.

Council Member Kaplan: Points are duly noted and for the most part well taken. Do you have an alternative option? Do you have a plan B? Do you have a solution?

Andrew Popik: I think the vision of the CCRC if it works, if its financially sustainable is a wonderful thing there's no question about that. That's why my parents are there, why they choose to be there. But the reality is that if you're looking at this potentially going south or the fact that its in a compromised position right now, you then have to look back at the reality. What does it actually buy? So while there is some limited in a B contract, there is some limited medical aspects you know that some care that goes in there, 60 days of care. the reality is that if people get their refunds back they can afford that. So they'd be able to stay in their facility, and afford that money. The people who are in the A contracts and I believe it is correct that they are no longer offering the insurance for that long-term, that is an issue. There's no question that its an issue. But also, they are getting that money back to pay for housing in a nursing home otherwise. Or potentially people who are not in the nursing home, they would have the option of going to another place that offers any type contract. So the reality is that, in terms of financial flexibility, the offer that gives the people their money back really gives them the greatest control of their lives right now.

There are people in this facility who would have moved. They have specifically said, they did not understand the different offers, they assumed that if they were getting 100% back they were getting it immediately. There were, the email chain of went on in this process between the tenants and the ignorance was nothing short of fantastic. I could literally forward to you thousands of emails on this, much with bad information going around.

And when I say bad information, I want to emphasize, it is not the Bethel presented bad information. They were absolutely standup, doing the best they can with this purpose. I really want to make that very, very clear.

But a lot of bad impressions, a lot of mistakes, a lot of errors were made in what other people were presenting. And this is what the residents acted on. Now that they understand it. If someone were to get someone to go to these residents and ask them what they really wanted, what this really means and explain it to them, I think you would have a very, very different

outcome. And I think it is a tremendous injustice that they have not really been asked in this manner. I defy some of, well probably not all, but you were all experienced in this field. But think about, give this to a spouse, a friend, who is not financially with it. Or, that's the wrong term, isn't it? Not financially educated, and ask them to sort through something like this under the stress that they were under, and I think you'd be amazed at the results that you would get from people who are not 90 years old.

So my answer is yes, I think most, if not all of the tenants, will be very much better served to actually get their cash back with the other option. And I understand the goals, I understand the limitations, I understand absolutely that Bethel was trying to do the best under those circumstances. That doesn't make it right. That doesn't make it the best deal. It makes it the best deal to keep a CCR but maybe that is not the right thing to do with this facility under these conditions.

Mark Hennessey: Council Member Sheehan.

Council Member Sheehan: Could you tell us a little bit about the Sentry Village issue that you raised?

Scott Popik: Sentry Village was, this was a case study, it's out there, you can probably find it on the internet. Sentry Village was a large retirement community build in Florida. I think it was first built probably in the 70's or so. I'm dating back a long time so, a long time since grad school. And it was filled with people of a certain age coming down for retirement. And it was a wonderful place, everyone had their own apartments, it had amenities, it had golf courses, it was all wonderful.

As time progressed and the population aged, and they all aged together, you had people obviously moving onto other stages off life and you had an empty unit. But they could never sell the unit to the next target group, which was the younger age, when they were surrounded by people of an older age. They wanted to be with the people that they were with. And the complex, the entire place went into dire straits just on that basis.

What eventually they had to do was force an issue where they congregated, forcing people to move, so they congregated the older community into an area so they could renovate and revitalize the other area and essentially had a cascading effect of trying to do that.

I don't think that's possible here. I think that if you were to walk in a, I'm not sure what the target age is, I read the studies but that was just recently. But if you were to bring in a younger person to start their life in a CCRC, to follow through, and they were to walk in to the dining hall of an average meal of Westchester Meadows right now they would walk out. It wouldn't matter what the condition off the unit, it wouldn't matter what the condition of the building. It's a hurdle that is often not factored in this type of calculation.

Council Member Barnett: I just have a question for you, you mentioned you said I had heard there were two offers that were on the table, you said there were a dozen offers to the residents. Now which is correct?

Scott Popik: There were original offers that both the groups came and presented in a meeting with the tenants. The residents, pardon me I keep using, my mistake. With the residents. Then as the situation progressed, and again, this is no fault to the people doing this, they were trying to do their best. I want to emphasize this. These offers kept changing. So they had a written presentation, then the offer would change so someone would offer a little more, someone would offer a percentage, someone would offer this. And it kept on going. In fact, one of the final offers was Focus offering the insurance to cover the Long Term Care aspect. Which we do now, I'm pretty sure it's not on the table but I think that was in one of those last offers. Most of the residents weren't even aware of these changes but what they did know was that it was going back and forth radically fast. And there had to have been at least a dozen between the two firms of offers in a very short time period.

Council Member Barnett: And these dozen offers from the same two people.

Scott Popik: From the same two people.

Council Member Barnett: Alright, that makes a difference to me.

Scott Popik: Yes, I'm sorry. There were at least.

Council Member Barnett: Well that wasn't clear.

Scott Popik: I'm sorry. My apologies.

Council Member Barnett: Now I understand.

Scott Popik: At least a dozen, I think there may have even been more.

Michael Heeran: I think the best way to describe it was, they held an auction in front of the residents. And just to be clear, because we monitored that, I did at least, it was, bids were allowed to change when they met with the residents. So they met with the residents, the two groups, and this is what's being described here, and then there was changes.

Scott Popik: I can assure you, oh I'm sorry.

Council Member Kaplan: No, you finish what you're saying, Scott.

Scott Popik: I can assure you that term sheets on all the different offers as they ratcheted up were not presented. I'm not even sure there was one on the final. And there was certainly conflict between the creditors committee and the board, there were a lot of different interests

here. All of them valid. That's the other thing. I can't say they're not valid concerns and interests, because they are.

But when I look at this in the totality I do not believe that the population there voted on what they thought they were getting and I think that the ones that are there now are terrified. They were told they have to sign this document or leave, or pay another 300, \$400,000 fee. That was what they were told about this addendum. And that is the facts of this addendum, I might add.

Mark Hennessey: Okay, are there other questions for Mr. Popik or discussion by the board here? Because I do, I want to give the applicant a chance just to respond to some of the concerns that are raised, if not all that concerns that are raised. But I just, you still have the floor Mr. Popik but I just want to make sure folks have a chance to ask any questions they might want to. Any additional questions for Mr. Popik? No?

Scott Popik: Again, I would think that you would really need to see the financial projection with some of these projections change to see what this does to the financials going out for 20 years. What does it do to the debt recovering that might be held by the lender? What does it do to the paybacks? You have an average age of 90 years old that wants to possibly tap that cash for something. When will they ever see that, if at all? Thank you.

Mark Hennessey: Could we call back the applicant just to respond.

Beth Goldstein: First of all, I'd like to go back in history and start with how this whole thing, the process, started. There was a resident meeting back in August before the bankruptcy hearing took place. Everything was presented from both sides, both offers, was presented to the residents. As has been stated here our offer had its limitations based on having to work within the statutory limitations that we were forced to work under.

The proposals changed because when we built our model we were very conservative in our model. And when we were hearing the concerns of the residents that live there, specifically one of them being that originally we had only were only going to give 75% of the monies back, their refunds back. We heard their concerns. We said, we want to make you whole. That's when that other contingent 25% payment and how that would get paid, that's how that proposal came about.

The proposal then changed the purchases price proposal then changed as a result of the first day when we went to bankruptcy court. The bankruptcy court judge declared that unsecured creditors could not, we could not favor one unsecured creditor over another. And if I'm not saying that right our attorney is here as well.

So the bankruptcy court judge, because originally we were giving money to former residents who were no longer there. The bankruptcy judge said you cannot do that. There's a pot of money and then the bankruptcy will tell, or will dictate who gets what and how it's given out.

We were not able to set aside money, nor was Focus, I might add. He was very clear, the bankruptcy court judge.

As far as our models, our models are very conservative. Our lender who's lending us the \$28 million did his own sensitivity analysis. He's giving us money. He is very confident in these numbers. He's done all the sensitivities, he's gone back and forth. He only does lending to this, to basically CCRC's and the senior housing market, so he's well aware. So these numbers have been tested several times by many people. So we're very confident in our numbers.

We've said from day one that we don't expect that day one and November we're going to have two move ins. We know it's a process. But we build that into our financial models knowing that over the course of a year, this is what based on what we've already started working with Loving Company on our marketing. We've already started the rebranding process. They've done their own market testing, et cetera, very confident in the fact that this community is very marketable. And with the product and the value that we will be giving based on the entrance fees and the monthly fees that we will be capable of filling the community. As well as filling the community with the current baby boomer, the younger baby boomer wants out of a community like this.

And although, yes, the average age off this population is 90, but I walk in there and yes there are some frail people but there are also some very active people. They go out on trips. They are very active. They're out, they're about. They're very independent. And they are the best marketers of this community. They love this community even going through the bankruptcy. They're the biggest advocates of the community. And this bankruptcy has made them closer and they're the first ones to say I want to be your ambassador. I have no problem telling potential people that his community is the best place to live.

Mark Hennessey: There was a, hold on one second please, if you don't mind. There were a few issues raised, one of which I would like to take up. Which is the potential claim that your interest in acquiring this CCRC, and I'm just asking you to refute this claim, your interest in acquiring this CCRC is to potentially close it down and use it for another purpose. Not your interest.

Beth Goldstein: That was not our, I don't know where that even came from. Bethel's been around for over 100 years. Our mission has been to provide senior living and health care services to seniors so that's not the case. What was stated was that Focus, being a for profit basically real estate developer, that their purpose was to come in, make it luxury housing and in three to five years be out of there and just leave this luxury senior housing. Or repurpose it and sell it off to be condos or something else. Not Bethel.

Mark Hennessey: So to answer my question that is not your interest?

Beth Goldstein: No, not at all.

Mark Hennessey: And not in any short time frame, long time frame, what your interest is in doing?

Beth Goldstein: No. Again, our mission is senior care.

Mark Hennessey: Okay. Mr. Popik you have to step up here to sort off get one off the microphones, please.

Scott Popik: If I may, I hope you didn't take that from what I said. What my comment was that as a lender he's secured by the property and therefore as a lender he would have confidence whether or not the cash flow is as good as it could be. I never wanted to imply or said that I think that Bethel has anything other than the highest most honorable goals in this to run this facility and that they believe in the numbers that they have.

Mark Hennessey: Okay, thank you.

Male: I just wanted to clarify that, thank you. Sorry.

Mark Hennessey: Any other questions? Mr. Sheehan.

Council Member Sheehan: On the cash side, assuming the worst, assuming that you don't sell any units, how long do you survive?

Beth Goldstein: Well, based on the budget that we put together with the staffing patterns and everything that we put together, day one we go in not losing the \$200,000 a month that they are currently losing.

Council Member Sheehan: Understood, but so you have X amount of cash at this stage and projections about what you're going to take in, if you don't sell units where do the lines cross? Where are you out of money?

Beth Goldstein: Based on current operations and current census, we break even. We can survive on a month to month basis based on the current occupancy and the current expenses that we're putting into place.

Council Member Sheehan: No attrition, right? With no attrition?

Beth Goldstein: With no attrition, but based on their history their attrition rate has been, and again, I don't have the crystal ball and I don't know. But you know, I think they lost two residents in all of 2016, this year, 2016.

Council Member Sheehan: I can assure you that's the one thing you can't predict.

Michael Heeran: But it has been, over the past year that I've been involved in this, it has been pretty flat. There's been people moving in and out of IL to in and out of skilled nursing for rehab and stuff but the, it's.

Council Member Sheehan: But in fairness, if you have a population that age you want to be conservative in assuming that it's going to be attrition there. And I'm assuming you've allowed for that.

Beth Goldstein: Yes.

Scott Popik: If anything, the good luck now is going to be bad luck in the future.

Council Member Sheehan: Yeah, well, and it tends to aggregate itself at times, but it sounds like you've allowed for that.

Beth Goldstein: Right, well we allowed, with the working capital money, but now based on our own expenses it just gives us that more of a cushion with savings that we.

Mark Hennessey: Council Member Kaplan.

Council Member Kaplan: I keep hearing the word lender used. It is Hamlin Capitol who's buying the bonds? Is that the lender that you're referring to?

Beth Goldstein: Yes.

Council Member Kaplan: Is there anyone from Hamlin here today?

Beth Goldstein: No.

Mark Hennessey: Other questions? No? Thank you. And thank you Mr. Popik.

At this point, after we've heard from members of the public, we've heard from the applicant, we've had a chance to just have a couple of questions take place. I'd like to call for a vote on the issue. May I have a motion to accept the department's recommendation for approval of the application with conditions and contingencies. See Council Member Barnet as the person making the motion. May I have a second? Council member Nealon is our second. Discussion? Council Member Kaplan.

Council Member Kaplan: You know, I've taken this all in and I certainly heard Mr. Popik per his remarks. The problem is I don't see an alternative. So in my opinion this seems to be the best off the not good choices. Period.

Mark Hennessey: Council Member.

Council Member Sheehan: And I would have to agree.

Mark Hennessey: And I'm sorry. I am accepting your comment; it's certainly not meant to be in any way humorous.

Council Member Sheehan: And I have to agree with Council Member Kaplan, my all-time good friend. I think it's, I'm influenced by the fact that the Focus offer no longer offers the life care benefit. I think that's a critical piece of this. I had not been aware of that before today. But I think on the other hand we have to acknowledge that we're approving a project under these circumstances and it's not a project we would approve as a new project or it wasn't under these circumstances? So when we vote for this I think this council is acknowledging that we are voting for something under extraordinary circumstances which might not pass muster under other circumstances.

Michael Heeran: And I will add that the department's recommendation states that DFS who's present here, their recommendation states that as well. We tried to make that clear.

I will also add that this, we don't have another option because this is what the court ruled. The bankruptcy court awarded that after listening to testimony and basically told the applicant they have the right to apply and go through the, this is the cards we're dealt as a group. We didn't have a say in that and this is what we get. So it's what we're dealing with.

Mark Hennessey: Council Member.

Council Member Laible: Just to segment what gentleman have both said. I agree, I don't think this is something that I would approve if it was coming to me as a new application. I'm very uncomfortable with a lot off the projections in here and maybe gets to nothing about Bethel at all but the part that I think we have to discuss moving forward about maybe some modifications that we can make so that we are not in this position again where we have to do something like this.

Michael Heeran: We've learned a lot and will have a lot to discuss post this meeting about what we need to do going forward when a situation like this occurs. On that, is again not only unfortunate just to us but to the residents as well. This has been a learning experience for, I think, everyone involved.

Mark Hennessey: Any other Council Members? Council Member Barnet?

Council Member Laible: I just, I think we all agree under the circumstances this is the best. That wouldn't be ideal but given what you have that was why I made the recommendation we go ahead.

Mark Hennessey: Council Member Kaplan.

Council Member Kaplan: One small comment. I really appreciate having Mrs. Barnet here, who I've never met before today, because the fact that she's a resident in a CCRC and she's living this. As opposed to some of us who are just in the business or affiliated or whatever it is. the fact that you're in a CCRC and you're living it, and you can opine on this, thank you. I mean it really helps the whole process.

Council Member Laible: Yeah, well I couldn't help think as I read this, what if I were there, and that's the way.

Mark Hennessey: And to that point, to echo your comments, I mean it weighs heavily in my mind hearing from a person who is a CCRC resident that this would be the route to take.

A lot of the discussion today I think has talked tremendously about the financials and how that plays out in a circumstance like this. I do commend, Council Member Sheehan has raised a couple of times the concerns of the residents. And making sure that we're taking their voice into account. The fact that we had such an overwhelming show off support from the residents I think weighs heavily in favor off the idea of moving forward with this. And I would also echo the fact that there are not a lot of really great alternatives that we've heard today. And so we need to act on what's in front of us rather than the other things that could potentially exist. So that would be my take on it. But are there any other members who would like to make any other, Council Member Sheehan.

Council Member Sheehan: So the Attorney General and Mr. Heron, I think, have a perspective from the last year and a half off watching this entity go down. Which has been very painful. And that the residents have expressed their concerns. But it's also the uncertainty of knowing what's going to happen next. And when we first had our conversations with Westchester Meadows, I'll just say that the forecast they had for what was going to happen over the next year did not pan out at all. And so what we've watched is that the, as Mr. Popik talked about, the difficulty with the distressed property, the situation gets worse and worse. So I'm with the rest of the Council Members in saying this is the best option but I do think there's significant risks.

Mark Hennessey: Any other comments? No? Okay. We have a motion; we have a second. I'd say those in favor of adopting the recommendation off the department for approval off the application with conditions and contingencies, say aye [chorus of ayes].

Those opposed say nay. Any abstentions? Okay, motion passes.

Council Member Davis: If I could just make one post vote comment?

Mark Hennessey: Certainly.

Council Member Davis: There's nothing more than the CCRC's in the State of New York and its residents would want to see than one not for profit replacing another not for profit and continuing its mission. Because we have to go back to our communities now and message the

results here and give them a level of comfort that even under the worst case scenario another not for profit came along and saved the day. So we wish you the best of luck. You have a good team behind you. If you want to talk to anybody who's had this experience before you know where to reach me. But at the end of the day we really do want you to succeed. It's critical to the other eleven CCRC's in the state of New York, it's residents, and the future CCRC's as well. So best of luck to you.

Michael Heeran: And to add, they close on the deal and finish this off they will be a CCRC subject to oversight of this Council now, so they will have to abide by that and deal with that [inaudible], so we're not by any means done with this yet.

Council Member Nealon: So now that we approved it, when does it actually close. When does all this happen?

Michael Heeran: No laughing.

Beth Goldstein: That's another question, we're hoping for a Monday closing.

Council Member Kaplan: Monday? Oh.

Michael Heeran: So it's actively, just for an update on that.

Council Member Davis: They were optimistic.

Michael Heeran: We are actively working on all the contingencies. There's the Enriched Housing license is in the process of developing so let me get this right, part two approval, the policies and procedures are actively reviewing that knowing this timeframe, knowing the conditions. The Article 28 application is going through the contingency process as well. They're working actively on those. We've been working on every contingency listed here over, again, the past four days. We've been working hard on that getting submissions in and reviewing it. We will facilitate this as quickly as we can. I believe they need final approval for all three from the department to go forward. Is that correct?

Male: Yes.

Michael Heeran: And I think everything else is in line.

Beth Goldstein: Yes.

Michael Heeran: I'm not sure you need anything else. But from me I know you need those three, the Department I mean.

Beth Goldstein: Everything's been submitted, all the contingencies. We're waiting to hear back. There were some questions I think by DFS that we presented answers to last night _____

and things. And I know the enriched housing, I know the policies and procedures they had two minor questions which I know by my drive up here will be worked on by my assistant and everything. So that should be signed hopefully by tomorrow at the latest.

Michael Heeran: I can only commit to we will work as fast as possible knowing the circumstances and just know that we've been working on [inaudible].

Mark Hennessey: Okay, our next agenda item is presentation and discussion on the financial requirements for CCRC's. The presentation is going to be made in response to a request from Council Member Sheehan at the last meeting. Mr. Youngs and Mr. Weist, if I have that mispronounced again please let me know.

Steven Weist: Perfect.

Mark Hennessey: Will be presenting for DFS and I'm actually going to scoot out of the way so people can see the board.

Steven Weist: Okay, thank you. Good afternoon, my name is Steven Weist. I'm the Health Bureau Deputy Chief for the Department of Financial Services. Warren Youngs is to my right, right behind me. We were asked to speak with regard to the financial requirements for the CCRC's. Specifically, it was suggested that DFS discuss the exam process which we are prepared to do today. We'd be happy to address other aspects of financial oversight of CCRC's today or at future Council meetings so please advise if there are other items that you would like us to discuss going forward.

So just some, do you folks have the PowerPoint? So some of the items, and feel free to interrupt with any questions as I go through the presentation. So some of the items we'll talk about today are just general background of the examinations of CCRC's. This includes the pre examination process, key component of that is the site visit which DFS conducts in conjunction with DOH.

The overall examination process, we have generally one examiner on site with the supervisor or basically on site at the CCRC operations for about four to six weeks. There's a post examination process which generally details the findings of the examination and that generally will result, it will result in a report on examination that gets filed and posted to the Department of Financial Services website.

And one off the other items we'll talk about today are generally sort of common findings that we have during our examinations. We can go through those a little bit today.

So as I mentioned financial examinations are performed by the Department of Financial Services. This is pursuant to a memorandum of understanding between DFFS and the DOH.

Section 4614 of the New York State Public Law mandates that examinations of CCRC's be conducted every three years pursuant to Section 4614 of the New York State Public Health Law.

As part of the examinations we try to keep them as current as possible so when we receive actuarial studies from the CCRC's we try to tie the timing of the examination to the most recent actuarial study to try to make the exam as current as possible.

And I think, as I mentioned, the examinations are conducted primarily at the state CCRC campus. The DFSS and also the DDOH conduct certain preliminary work off site at the DFSS location and generally the finality of the exam, the completion of the report, etcetera, is mostly completed off site.

The Department of Financial Services gets its general authority under Section 1119 of the Insurance Law over CCRC's. Section 1119 provides that DFS ascertain that CCRC's are in compliance with the rules and regulations of the Superintendent in the following areas. These are the financial feasibility of the CCRC. The actuarial principals established relating to such communities. And the approval of continuing care retirement community contracts and the rates and rating systems for such contracts. And I think, I know for items one and two, I mean these were discussed a little bit in the exhibit that was provided with regard to the Bethel discussion earlier today.

Part of the pre-examination site visit a letter is sent to the CCRC's management by DOH confirming that a DOH and DFSS site assessment and operational review will be conducted at the CCRC campus on an agreed upon date and time.

Such site visit is also used by DFS to conduct a pre examination meeting for the upcoming financial exam with CCRC management. Basically we just kind of go through the protocols of the examination. What is expected, the timeframe, and how best to conduct the examination so we can be as efficient as possible and try to get out of folk's ways as soon as possible.

So for aforementioned site assessment there's a letter that includes a request for certain information and documents to be provided to DOH and DFS prior to the site visit and the start of the exam. These basically include financial statements, CPA audit work papers, board minutes, and other corporate documents.

The one-day site visit at the CCRC campus is conducted by representatives of DOH and DFS and consist of the following. A meeting with CCRC management to discuss operational, facility, and management changes that have occurred to the CCRC since the previous site visit and financial examination. We also follow up on pre examination information and requests and any documents that were provided to the CCRC by the CCRC to DOH and DFS in response to the site assessment letter.

As part of the site visit a meeting is held with residents to ascertain the resident's thoughts and opinions of the operations of the CCRC. This is actually a main component of our onsite visit. I don't know if Miss Barnet you've ever sat through any of these?

Council Member Barnett: I don't think so. I was the Chair of the Council so maybe they didn't know who I was.

Steven Weist: Okay. But we see that as a key component of the exam, getting feedback from the residents is very important. You know, who better to provide us information on the conduct of the CCRC and just the reasonableness and the accommodations just to make sure folks are getting all the amenities they are required to and also that they are generally happy with the operations of the CCRC.

Again, as part of this site visit DFS and DOH conducts a tour of the facility to ascertain the overall condition of the facility. We review any changes, updates, etcetera, certain CCRC's may be undergoing construction projects, etcetera. So we just want to do kind of a sight line visit just to ascertain the assessment of the CCRC conditions.

The actual onsite examination includes several major areas of review. These are a review of corporate governance items, board minutes, etcetera. A review of holding company transactions and service agreements. We want to try to ensure that items are addressed at arm's length off the CCRC is being charged the correct amount, etcetera.

A review of occupancy rates, including a discussion of current trends. We want to try to ensure that the CCRC is, the occupancy rates are adequate and are going to be able to support and sustain the CCRC's operations.

A review of the disclosure statements that are provided to prospective residents. And we also conduct a review of information systems, including internal controls and security over protected health information.

As part of the examination process DFS conducts interviews with key members off CCRC management and its employees to try to ascertain the work that they perform, sort of the day-to-day activities. We also try to get a better understanding of the risk being faced by the CCRC, both current and prospective risk. You know, controls mitigating the risk and also controls over the financial operations. And we look to gain a more detailed understanding of the CCRC's operations.

A main component of the exam is to conduct a financial examination including a review of the financial books and records. This includes a department actuary reviewing actuarial assumptions and studies.

We do try to leverage the work of the CCRC CPA firm wherever possible to try to make the examination as efficient as possible.

And we also do review any issues brought forth by DFS internal Liaison Group. This includes information that comes through our consumer assistance unit or items that perhaps one of our

attorneys or actuaries became aware of so we try to identify issues that are uncovered as part of our day to day oversight of the CCRC.

During the course of the examination if there are any initial determinations of noncompliance with laws or regulations or any other issues, particularly with regard to financial reporting these initial determinations are discussed with the CCRC management. We want to make sure that our understanding is correct and try to get a determination agreement of the facts. The examiner and supervisor will discuss these findings as they come up during the exam. It's best to talk about these items as they come up. We don't want to wait until the end of the exam, we want to make sure we have a full understanding off the issues. So we try to work with the CCRC management to get a better understanding of the issues and presuming that we're in agreement we work with the CCRC management with regards to their plans for compliance moving forward.

At the end of the examination and preferably when we're still on site we conduct an examination exit meeting. The meeting is held during the end of the exam by the examiner and supervisor with the CCRC management essentially to discuss the examiner's findings. We also want to get, we also would like to receive feedback, from CCRC management in regard to the exam. You know, we're always open to hear opportunities for improvement and efficiencies in the exam process. During the exit meeting potential findings, particularly those that are expected to be included in the report on examination, are discussed with CCRC management. The exit meeting also provides an opportunity to the CCRC management to discuss the exam findings with the examiner and to provide any support or documentation that perhaps was missed or just not provided during the examination.

So the post examination process generally entails the preparation of a report on examination. These contain a discussion off the following items. Corporate governance, holding company discussion regarding transactions and affiliations with key members of the holding company system.

The occupancy rate trends, we want to discuss whether or not the occupancy rates are at a level that supports the CCRC's operations.

Disclosure statement and review, just general comments regarding contracts.

Review of information systems including internal controls over the financial aspects off the CCRC's operations.

And then the financial examination of underlying support records, I just want to make sure that what we see ties to the financial statements provided to us on an annual basis.

A key item is also a discussion of subsequent events. CCRC management may be aware of something that were not specifically at the CCRC. Or it could be an external issue where perhaps they are aware of a new CCRC coming on board in that geographical area and they may have concerns about the CCRC.

And I think we talked about this a little bit. Other issues noted by other DFFFS personnel that may have come across something whether it be a consumer complaint or one off our actuaries or attorneys reviewing documents and having questions on them.

Once the CCRC's management has accepted the report a copy off the report is provided to DOH for review and approval for filing. DFS also discusses the exam findings with DOH and the CCRC Council. Upon receiving the approval for filing the report on examination is formally filed by DFS, made a public document, and posted on the DFFFS website for public viewing. So I tried to provide the link that should put you where all the CCRC reports on exam are. But if anyone has any questions or difficulty finding the reports on exam please let me know.

And a copy of the filed report is sent to the CCRC. There's a cover letter request that CCRC's plans for compliance with any comments or recommendations in the report. Generally, there is a summary section on the back of the report that includes all the comments and recommendations so as you do look at the reports online if you just want to save time it may be helpful for you to talk a look at just that summary of comments and recommendations at the back of the report. And that actually has a table of contents to the report so you can look at any particular items you may want to.

For an internal process but the field examination unit personnel that conduct the onsite exam, that communicate with our analysts that work in the office such as Warren. Warren oversees that unit that has sort off the day to say oversight of the CCRC's. But it's helpful for that communication to take place so that the regulatory unit is made aware of any issues in sort of real time. And if there's anything that needs to be addressed outside the report process we have personnel in place to address those items.

And also the regulatory unit may communicate with CCRC management moving forward. I talked about comments and recommendations that may be in the report. Some can be addressed relatively quickly, some may be of a longer term nature and those are items that we will continue to follow up on.

Some of the common findings we've noted during examinations are low ILU occupancy rates. Obviously most CCRC's strive for 95%. Some are there, some are not. But if the company, if the CCRC is not at the occupancy rates that they project we do have discussions with them regarding the ability to continue to full up the ILU's and any impact that could have to the CCRC's financial situation.

Some other findings that are fairly prevalent are recommendations and findings regarding monthly fees. With regard to disclosure statements, comments about monthly fees inclusion of the most recent financial statement, inclusion of the balance sheet and financial statement over the last two years. And if the CCRC is affiliated with a religious charitable or other nonprofit organization to the extent to which the organization will be responsible for the financial and contractual obligations off the CCRC.

Other common exam findings include corporate governance issues. This includes incomplete or unsigned board minutes. The failure of board members to sign conflict of interest statements. And also the failure of certain board members to attend an acceptable number of board meetings during the examination period. And again, as part of the examination process and the report process any findings uncovered by DFS are addressed with the CCRC in as real time as possible. And the CCRC must provide a response to any finding or recommendation in the report and then we will follow up on those moving forward.

So that concludes my presentation. I don't know if anyone had any questions.

Council Member Sheehan: Mr. Weist, so I was the one who made you come here so I have a few questions. Professional standards, do you have yellow book standards, do you have purview approaches to how you do these examinations?

Steven Weist: Yes, we have documented examination procedures. We follow, CCRC's are not subject to full accreditation, the department is accredited by the National Association of Insurance Commissioners. CCRC exams, per say, are not looked at by the NAIC accreditation process. However, our examination procedures are accredited and we try to apply the same examination procedures to CCRC's as we would a regular insurance company.

Council Member Sheehan: Okay, and as far as the, do you have outside peer review of your examinations?

Steven Weist: We have outside internal and external but it is limited, particularly with regard to CCRC's. There's more focus on regular, you know, just general insurance companies. We do have internal and external peer review, yes.

Council Member Sheehan: Are there other states do you talk to; do you have a relationship with other states or national organizations that looks at how effective your reviews of CCRC's are?

Steven Weist: We have, admittedly, we have limited, we've had limited communications with other states with regard to the CCRC exams. We do try to rely on conversations we've had internally. A lot of our staff, we try to have a staff that does CCRC's almost solely because it's just their operations are very different so we have a lot of very experienced staff with regard to the CCRC exams.

Council Member Sheehan: One of the significant issues that we're dealing with, the Council, is the issue of risk assessments and risk triaging. What methodology do you use for risk triaging of the CCRC's in New York State?

Steven Weist: We have a general list of risks that we apply, again, through the National Association of Insurance Commissioners that have risk that we look at during every exam.

Admittedly, the CCRC risks are not quite what an insurance company's risk would be, so we try to modify those risks.

And we address that with the companies specifically we try to determine whether or not they are able to operate under different scenarios. If the economy goes down, the housing market takes a bad turn, you know, other external changes that could affect the CCRC. We do have conversations with the CCRC and part of our analysis and determination is whether or not the CCRC's management is addressing those risks. We try to, we basically have interviews with CCRC management and, where applicable, the Board of Directors. And we try to have robust conversations about what does the CCRC determine to be, what are they looking at as risks, how do they mitigate that risk where possible? So we try to do that. We have sort of a check list of items we want the CCRC to look at and address as risk items. And if during the conversation or our examination we see that those items, one or two items or more may not be addressed we bring that up to management and have them address it. And if they're not in a position to address that formally we try to do that as part of our follow up process.

Council Member Sheehan: I see that in respect to each, doing the audit for each entity, but if you look at the area of all the CCRC's and identifying through risk triaging for the group. Is there any kind of model you use for that?

Steven Weist: We do not use a model but we, what we attempt to do is collect all the risks, sort of a risk pool, and as part of the actuarial review of the actuarial studies and just our general revue of financial oversight of the CCRC, we attempt to make sure that those are addressed by us and also that the CCRC's management is addressing the items as well.

Council Member Sheehan: Are you, you said your goal is to review every CCRC once every three years?

Steven Weist: Correct.

Council Member Sheehan: Are you meeting that goal?

Steven Weist: A few times I think we have not quite hit that. And sometimes we, it's not always efficient to address, like the CCRC, sometimes we may wait an extra year to catch up on the actuarial study to do an examination. On a particular year we will sometimes wait until the subsequent year when we have more current actuarial study.

Council Member Sheehan: So you have metrics of the time between when you initiate the exam and when the filing report is issued?

Steven Weist: Yes, we do check that for all our exams.

Council Member Sheehan: Do you have a goal for that process too?

Steven Weist: Generally two to three months on the CCRC exams.

Council Member Sheehan: From the time you started to the time the final report comes out?

Steven Weist: Yes, I mean, we from the time the exam starts, we don't really count the site visit sometimes that may take place sometime before the CCRC exam fully starts. But from the time the CCRC exam fully starts when we have our examiner onsite we try to have a goal of three months to where we can at least have a discussion on the report on examination.

Council Member Sheehan: But if I look at the final report that's the public document, so the time you start the review to the time the final document comes out, do you have a goal for that and what is the average time?

Steven Weist: I don't have the average time off the top of my head but we would shoot for no more than six to nine months.

Council Member Sheehan: And when you have deficiencies, when you identify deficiencies in your report, what is the follow up process?

Steven Weist: Depending on the deficiency we have our field examination unit and Warren's team, the regulatory unit, so we would reach out to the company depending on the issue that was uncovered. If it was a more severe issue, we may actually have a conversation with the company or request a corrective action plan. If it was more corporate governance or sort of what we would consider a housekeeping item we may just ask the company, for example if they don't have a procedure to cover a certain financial, if they don't have a certain financial process documented then we may ask them to document that. And for that we may just ask them to send us the documentation that they put something in place.

Council Member Sheehan: Do you have a spreadsheet about standing deficiencies from those? Part of what we're trying to figure out as a Council is what are the big issues we need to worry about. So is there, for example, a spreadsheet or a public record of the outstanding deficiencies for the, there are only 12 CCRC's right, so it shouldn't be that hard. Is there one now?

Steven Weist: We do not have a public document in that regard, no.

Council Member Sheehan: Do you have an internal document that looks at the current deficiencies for CCRC's.

Steven Weist: Yes.

Council Member Sheehan: Which I think would be very helpful to us as a group. Okay, I think I covered it. Thank you very much.

Steven Weist: Okay, thank you. Any other questions?

Mark Hennessey: Any other Council Members with questions or comments about the presentation?

Council Member Kaplan: Just with regard to what Mr. Sheehan said, do you, the document that listed deficiencies, can you share that with the Council?

Steven Weist: I have to check with my Office of General Council to see, but I.

Council Member Kaplan: If you can, please do.

Steven Weist: Sure, thank you. Okay, thank you.

Mark Hennessey: Thank you very much for joining us. So our next agenda item is to discuss planning for the future Council meetings. Our next meeting is planned to be on May 24, 2017 from eleven to three here in this room. There is currently application for a new CCRC under review under ten NYCRR 900.4 the Council shall have 60 days from the day the last approval is required to either approve or disapprove the application. So there may need to be a meeting an add hock meeting somewhere between what we expected to be our next meeting and where we will actually be.

That being said is there anything Council Members would like the department to consider as agenda topics for the next or even future Council meeting. And I actually have my own idea but I'll wait to hear from all of you first. Council Member Sheehan I think was first to the strike so.

Council Member Laible: Yes, you can go.

Council Member Sheehan: So I, this was a very helpful presentation on the examinations. I think it would be very helpful for us to get the schedule of deficiencies, and also the schedule of examinations so we have an idea of which ones are coming up and what issues have been identified in the examinations themselves.

Michael Heeran: You want past and future?

Council Member Sheehan: I think what we want to see is for the, I think, for the we want to see when the last one was, and when the next one is scheduled, and have an idea off what the process is and what deficiencies have been identified.

Mark Hennessey: Let us talk with our partners at DFS. Any other ideas?

Council Member Laible: I would like to talk about the Article 46 limitations and areas for improvement.

Mark Hennessey: Sure.

Council Member Laible: And then I would also like an update on the financial status of the existing CCRC's.

Council Member Sheehan: One of the things that we've in the Attorney General's Office we look at, one of the things we look to do for risk is look at the balance sheets of not for profits in New York, which is a terrifying list, in terms of how many have negative net worth. And I know there is special accounting issues with respect to CCRC's but the schedule that the looking at the ones that are in worst trouble would be one measure I would suggest, worst trouble in terms of negative net worth, would be helpful.

Council Member Davis: And just to add to that, you will have to get an explanation of the unique nature of CCRC's. because if you look at the startups they're out of business the day they start. So there's going to have to be a lot of explanation of how those financials actually work. Accrual versus cash, basically.

Michael Heeran: Yes, I know when we do, and Charlie can vouch for this, when we do CCRC projects to the full FIBIC(sounds like) thing there's a unique nature that they struggle with as well because the balance sheet looks bizarre.

Council Member Sheehan: One more question for, do you look at the IRS 990's that are filed by the CCRC's as part of the exam?

Steven Weist: I don't believe so, no.

Council Member Sheehan: Thank you.

Michael Heeran: I've pulled them out. Have them on my desk.

Mark Hennessey: So I'm sort of taking all of these recommendations for topics and maybe what we need is to have a discussion about what a package looks like of the right kind of monitoring information for CCRC's moving forward. So let us take all these back and sort of formulate what could be helpful.

The one thing that I was going to ask that we have, we have 12 CCRC's, I would like to have in rotation every meeting, as long as we don't have an enormous application like this one, one of those CCRC's come in, talk about their current status, possibly have one of their residents, maybe two of their residents come in and talk about how things are going. Just to give us a sense as a Council off what is going on within the industry. And I would just not necessarily for a vote, but does that sound like something you would like to see on a rotational basis?

Okay so if there are 12 and we have three or four meetings a year, potentially we could have all 12 off those done within two or three years or something like that. So does that sound appropriate?

Council Member Davis: As long as you don't start in alphabetical order.

Mark Hennessey: Well I was thinking, given the interest in the Knowles, which I think will be hopefully standing up and operational by the time we meet next, that the first of those could be the Knowles. And to get a sense of okay, we gave our approval, we've moved forward, and let's see where we are. Does that sound amenable to everybody?

Council Member Davis: Good idea.

Council Member Kaplan: If we start alphabetically.

Michael Heeran: But aren't you The?

Council Member Davis: That's right, there you go.

Mark Hennessey: Debatable. Council Member Sheehan.

Council Member Sheehan: One other set of issues. I put Mr. Weist on the spot about contact with other states and that, but for DOH and for us as an organization, New York CCRC's are different from a lot of other jurisdictions but I'd like to see, I assume the kind of regulatory issues we're going to deal with have corellas in other states and I don't know whether DOH has contact with those other states to talk about what other people are doing in regulatory terms.

Michael Heeran: That's something I'd like to pursue more and I tried working, and I will continue to work, with Leading Age as a group. They're national and I would like to pursue that and hopefully with your blessing to do that, it gives me a little bit more, I think, power, to say that the Council wants to hear this as well. But as part of the, what happened is when the Westchester Meadows situation came about we had people from other states come in telling us about what they could do in other states which pointed out, I think, some of the weaknesses we need to address with our Article 46. Because there's certainly things other states do I think we might want to look at that will be beneficial.

I think when 46 was created, as it sits now, was created for a startup industry. And now we're mature. And now we're getting into these problems you get when you're a mature industry. And I think we need to think about that and adopt things to make our lives easier, I think, as a group going forward to deal with those issues. And I think other states have, and we'll just even look at how they're regulated, I know some states have no regulation. I think Ohio comes to mind, and then other states too. But I've looked at Florida, Pennsylvania has a very large industry, Massachusetts. So, yes that would be great to do that.

Council Member Kaplan: Mike, the ASHA, American Senior Housing Association puts out a booklet for its members. And it lists state by state all the regulations in assisted living and

CCRC's, state by state. And it gives you the dos and the don'ts and what you have to do. So you may want to contact them and just ask them for a copy off the booklet pertaining to CCRC's.

Michael Heeran: American Senior Housing Association.

Council Member Kaplan: Yes, in Washington.

Council Member Davis: Yes, I mentioned at the last meeting that we should be looking at Regulation 140 to see exactly what we're talking about, what kinds of things we could do. Not only to help the existing operators but to promote activity here in New York State.

We are now we have the dubious distinction of being and over weighted bankrupt state. There's only been three bankruptcies in the country that I'm aware of. Only one of which have ever effected residency agreements, that was in Pennsylvania. So we, on a weighted basis, are a state that's had its unfair share of bankruptcies. And we need to figure out why did that happen? Are there things in the regulations that if we did differently might have prevented that from happening? Things like equalized rates, do we really need a 70% presale level before we get to the start of construction because that adds so much more to the cost of these projects and then raises the bar on everything. So I think a real thorough review of Regulation 140. And what can we do there to help the existing operations move forward, and to stimulate the future growth. As you heard from Dan Heim, we're way behind on a per person basis the number of CCRC's that exist in New York State.

Mark Hennessey: And I think possibly for the next agenda I think a good idea would be to have a discussion of creating a subcommittee of members who might want to actually pursue that task on an ongoing basis. To specifically look at that and then also get input from different stake holders that may be out there. So just give some consideration of whether people would be interested in serving on that subcommittee. Okay? Anything else? No? At this, sorry Mike, something else?

Michael Heeran: We do actually have some policies and procedures that we might want to bring forward. It might be a good idea to bring forward to see, they are quite old. I'm not even sure what stage some of them are in, if they ever went to Council. Because I think everything kind of happened in the middle. So I think, there's not a lot of them, there's a handful of them that we might want to revisit as a group, to the Council, we present these are the policies and procedures we think. And we could do that, that's another thing we could do as well.

Mark Hennessey: And I would say that also we can take in rotation. You know, take a couple of them at a time. Take another look at them, sort of revise them as we go. Okay.

At this point I think we're pretty much done with our agenda. Can I have a motion to adjourn?
By Council Member Sheehan. A second? Council Member Kaplan. Can I have a vote? All in favor say aye, [chorus of ayes].

Anyone opposed? Thank you. Okay, so the public portion of the meeting of the CCRC Council is now adjourned. As a reminder the next scheduled meeting is May 24, 2017 right here. If an ad hoc meeting is held prior to that day we will post materials on the Department of Health website and an email will be sent out to people who signed up for the List Serve. If you're interested in signing up for a List Serve please send us an email at ccrc@.

Council Member Barnett: I need materials sent out as early as you can.

Michael Heeran: I will, absolutely.

Mark Hennessey: Let me finish that email address though, it's ccrc@health.ny.gov if you want to be added to our List Serve. Thank you so much for everybody coming today. Thank you to Mike and Susan and Cynthia for staffing the event today. We deeply appreciate it. And for our colleagues at DFS for giving us that presentation today. Thanks.