

**NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**The North Carolina Medical Care Commission  
809 Ruggles Drive  
Raleigh, North Carolina**

**MINUTES**

**CALLED MEETING OF THE EXECUTIVE COMMITTEE  
CONFERENCE TELEPHONE MEETING ORIGINATING  
FROM THE COMMISSION'S OFFICE  
JANUARY 25, 2013  
11:00 A.M.**

**Members of the Executive Committee Present:**

Joseph D. Crocker, Vice-Chairman  
Dr. George A. Binder  
George H.V. Cecil  
Albert F. Lockamy

**Members of the Executive Committee Absent:**

Lucy Hancock Bode, Chairman  
Mary L. Piepenbring  
Dr. Carl K. Rust

**Members of Staff Present:**

Christopher B. Taylor, CPA, Assistant Secretary  
Alice S. Creech, Bond Program Assistant

**Others Present:**

Bruce Bell, Carolina Village  
Steve Cordell, Nexsen Pruet  
Richard Marvin, First Tryon Securities  
Kurt Powell, Wells Fargo

1. **Purpose of Meeting**

To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to Columbus Regional Healthcare System and a resolution granting preliminary approval to a project for Carolina Village.

2. **Series Resolution Authorizing the Issuance of \$25,605,000 North Carolina Medical Care Commission Health Care Facilities Revenue and Refunding Revenue Bonds (Columbus Regional Healthcare System), Series 2013A (the “Bonds”)** – Remarks were made by Steve Cordell and Kurt Powell.

**Executive Committee Action:** A motion was made by Mr. Al Lockamy, seconded by Mr. Joe Crocker and unanimously approved with Dr. George Binder and Mr. George Cecil abstaining from the vote.

**WHEREAS**, the North Carolina Medical Care Commission (the “Commission”) is a commission of the Department of Health and Human Services of the State of North Carolina and is authorized under Chapter 131A of the General Statutes of North Carolina, as amended (the “Act”), to borrow money and to issue in evidence thereof bonds and notes for the purpose of providing funds to pay all or any part of the cost of financing or refinancing health care facilities; and

**WHEREAS**, Columbus Regional Healthcare System (the “Corporation”) is a private, nonprofit organization duly organized and validly existing under and by virtue of the laws of the State of North Carolina, which owns and operates an acute care hospital and other health care facilities located in Columbus County, North Carolina; and

**WHEREAS**, the Corporation has made an application to the Commission for a loan for the purposes of providing funds, with other available funds, to (a) pay, or reimburse the Corporation for paying, a portion of the cost of the Project (as defined in the Loan Agreement hereinafter mentioned), (b) refund the Financing Agreement (as defined in the Loan Agreement hereinafter mentioned), (c) fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement (as each term is defined in the Trust Agreement hereinafter mentioned) and (d) pay certain fees and expenses incurred in connection with the issuance of the Bonds; and

**WHEREAS**, there have been presented at this meeting draft copies of the following documents relating to the issuance of the Bonds:

(a) the Contract of Purchase, dated January 25, 2013 (the “Purchase Agreement”), by and among Wells Fargo Bank, National Association and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as underwriters (the “Underwriters”), and the Local Government Commission of North Carolina (the “Local Government Commission”), and accepted by the Commission and approved by the Corporation;

(b) the Trust Agreement, dated as of February 1, 2013 (the “Trust Agreement”), by and between the Commission and U.S. Bank National Association, as

(c) the Loan Agreement, dated as of February 1, 2013 (the “Loan Agreement”), by and between the Commission and the Corporation, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(d) the Master Trust Indenture, dated as of February 1, 2013, between the Corporation, Columbus Regional Health Network, Columbus County Hospital Foundation, Inc., Columbus Regional Health Outreach, Columbus Regional Properties II, LLC and U.S. Bank National Association, as master trustee (the “Master Trustee”);

(e) Supplemental Indenture for Obligation No. 1, dated as of February 1, 2013 (“Supplement No. 1”), by and between the Corporation and the Master Trustee named therein;

(f) Obligation No. 1 of the Corporation, dated as of the date of delivery thereof, to be issued by the Corporation to the Commission; and

(g) the Preliminary Official Statement of the Commission, dated January 10, 2013, relating to the Bonds (the “Preliminary Official Statement”).

**WHEREAS**, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the foregoing documents, including the Loan Agreement, Obligation No. 1 and Supplement No. 1; and

**WHEREAS**, the Commission has determined that the public interest will be served by the proposed financing and that adequate provision has been made for the payment of the principal of, redemption premium, if any, and interest on the Bonds;

**NOW, THEREFORE, THE EXECUTIVE COMMITTEE OF THE NORTH CAROLINA MEDICAL CARE COMMISSION DOES HEREBY RESOLVE**, as follows:

**Section 1.** Capitalized words and terms used in this Series Resolution and not defined herein shall have the same meanings in this Series Resolution as such words and terms are given in the Trust Agreement or the Loan Agreement.

**Section 2.** Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of its Health Care Facilities Revenue and Refunding Revenue Bonds (Columbus Regional Healthcare System), Series 2013A, in the aggregate principal amount of \$25,605,000 (the “Bonds”). The Bonds shall mature in such amounts and at such times and shall bear interest at such rates as are set forth in Schedule 1 hereto attached.

**Section 3.** The Bonds shall be issued as fully registered bonds in the denomination of \$5,000 or any whole multiple thereof. Interest on the Bonds shall be payable on October 1, 2013, and thereafter semiannually on each April 1 and October 1 until the Bonds are fully paid. Payments of principal of and interest on the Bonds shall be forwarded by the Bond Trustee to the registered owners of the Bonds in such manner as is set forth in the Trust Agreement.

**Section 4.** The Bonds shall be subject to optional, extraordinary optional and mandatory redemption at the times, upon the terms and conditions, and at the prices set forth in the Trust Agreement.

**Section 5.** The proceeds of the Bonds shall be applied as provided in Section 2.08 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to the Corporation to be used in the manner set forth in the Loan Agreement and the Trust Agreement will accomplish the public purposes set forth in the Act.

**Section 6.** The forms, terms and provisions of the Trust Agreement and the Loan Agreement are hereby approved in all respects, and the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute and deliver the Trust Agreement and the Loan Agreement in substantially the forms presented to this meeting, together with such changes, modifications and deletions as any of such persons, with the advice of counsel, may deem necessary and appropriate, including but not limited to changes, modifications and deletions necessary to incorporate the final terms of the Bonds as shall be set forth in the Purchase Agreement; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 7.** The form, terms and provisions of the Purchase Agreement, including any and all certificates, exhibits and other documents attached or related thereto, are hereby approved in all respects, and the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman, is hereby authorized and directed to approve, by execution and delivery, the Purchase Agreement and such related certificates, exhibits and documents in substantially the form presented to this meeting together with such changes, modifications, insertions and deletions as any of such persons, with the advice of counsel, may deem necessary and appropriate; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 8.** The form of the Bonds set forth in the Trust Agreement is hereby approved in all respects, and the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute, by manual or facsimile signature as provided in such form of the Bonds, and to deliver to the Bond Trustee for authentication on behalf of the Commission, the Bonds in definitive form, which shall be in substantially the form presented to this meeting together with such changes, modifications and deletions as any of such persons, with the advice of counsel, may deem necessary, appropriate and consistent with the Trust Agreement; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 9.** The forms, terms and provisions of the Master Indenture, Supplement No. 1 and Obligation No. 1 are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications and deletions as the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman, with the advice of counsel, may deem necessary and appropriate; and the execution and delivery of the Trust Agreement pursuant to Section 6 of this Series Resolution shall be conclusive evidence of the approval of the Master Indenture, Supplement No. 1 and Obligation No. 1 by the Commission.

**Section 10.** The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Underwriters at the price of \$25,966,685.30 (which price represents the \$25,605,000 principal amount of the Bonds, plus net original premium of \$583,219.45, and less underwriters' discount of \$221,534.15).

**Section 11.** Upon their execution in the form and manner set forth in the Trust Agreement, the Bonds shall be deposited with the Bond Trustee for authentication, and the Bond Trustee is hereby authorized and directed to authenticate the Bonds and, upon the due and valid execution of the Purchase Agreement, the Trust Agreement, the Loan Agreement, the Master Indenture, Supplement No. 1 and Obligation No. 1 by the parties thereto, the Bond Trustee shall deliver the Bonds to the Underwriters against payment therefor, subject to the provisions of Section 2.08 of the Trust Agreement.

**Section 12.** The Commission hereby ratifies the use and distribution of the Preliminary Official Statement in connection with the sale of the Bonds, and the Official Statement (the "Official Statement"), in substantially the form of the Preliminary Official Statement presented at this meeting, with such changes as are necessary to reflect the maturities, sinking fund requirements, redemption provisions, insurance provisions and interest rates of the Bonds, is hereby approved, and the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman is hereby authorized to execute, on behalf of the Commission, the Official Statement in substantially such form, together with such changes, modifications and deletions as any of such persons, with the advice of counsel, may deem appropriate; and such execution shall be conclusive evidence of the approval thereof by the Commission, and the Commission hereby approves and authorizes the distribution and use of copies of the Official Statement, the Trust Agreement, the Loan Agreement, the Master Indenture, Supplement No. 1 and Obligation No. 1 by the Underwriters in connection with such sale.

**Section 13.** The Depository Trust Company ("DTC"), New York, New York, is hereby appointed as the initial Securities Depository for the Bonds, with Cede & Co., as nominee of DTC, being the initial Securities Depository Nominee and initial registered owner of the Bonds.

**Section 14.** Drexdal R. Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, Steven C. Lewis, Chief of the Construction Section of the Division of Health Services Regulation and Kathy C. Larrison, Auditor of the Commission, are each hereby appointed a Commission Representative as that term is defined in the Trust Agreement and the Loan Agreement, with full power to carry out the duties set forth therein. The Assistant Secretary of the Commission is authorized to execute and deliver the Tax Certificate and Form 8038 in such form as he, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Trust Agreement, the Loan Agreement, the Purchase Agreement and the Official Statement, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 15.** The Commission hereby recommends that the Governor of the State of North Carolina approve the issuance of the Bonds pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, and hereby requests such approval.

**Section 16.** A comparison of the professional fees as set forth in the resolution adopted by the Commission granting preliminary approval of this financing with the current estimate of professional fees incurred in connection with the financing is set forth in Schedule 2 attached hereto and made a part hereof. Final professional fees paid from proceeds of the Bonds will not exceed the current estimates of professional fees set forth in Schedule 2.

**Section 17.** The Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman and the Secretary and any Assistant Secretary of the Commission are authorized and directed (without limitation except as may be expressly set forth herein) to take such action and to execute and deliver any such documents, certificates, undertakings, agreements or other instruments as any of such persons, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Trust Agreement, the Loan Agreement, the Purchase Agreement and the Official Statement.

**Section 18.** This Series Resolution shall take effect immediately upon its passage.

**MATURITY SCHEDULE****\$11,115,000 Serial Bonds**

<u>Due October 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$ 945,000	2.00%
2014	990,000	4.00
2015	1,035,000	4.00
2016	605,000	4.00
2017	515,000	3.00
2018	530,000	4.00
2019	550,000	2.00
2020	565,000	3.00
2021	585,000	4.00
2022	610,000	5.00
2023	635,000	2.75
2024	655,000	4.00
2025	680,000	4.00
2026	710,000	4.00
2027	740,000	4.00
2028	765,000	3.50

**\$4,290,000 3.75% Term Bonds due October 1, 2033**

<u>Due October 1</u>	<u>Sinking Fund Requirement</u>
2029	\$795,000
2030	825,000
2031	855,000
2032	890,000
2033*	925,000

\*Maturity.

**\$10,200,000 4.0% Term Bonds due October 1, 2042**

<u>Due October 1</u>	<u>Sinking Fund Requirement</u>	<u>Due October 1</u>	<u>Sinking Fund Requirement</u>
2034	\$ 960,000	2039	\$1,175,000
2035	1,000,000	2040	1,220,000
2036	1,040,000	2041	1,270,000
2037	1,085,000	2042*	1,325,000
2038	1,125,000		

\*Maturity.

Professional Fees Comparison  
Health Care Facilities Revenue and Refunding Revenue Bonds  
(Columbus Regional Healthcare System) Series 2013A

<u>Professional</u>	Fees Estimated In Preliminary Approval <u>Resolution</u>	<u>Current Estimate of Fees</u>
Underwriters' Counsel	\$50,000	\$42,500
Corporation Counsel	\$55,000	\$55,000
Bond Counsel	\$75,000	\$67,500
Accountants	\$30,000	\$25,000
Feasibility	\$90,000	\$80,000

3. **Carolina Village, Inc. – Hendersonville** – Remarks were made by Christopher B. Taylor, Bruce Bell and Richard Marvin

**Executive Committee Action:** A motion was made by Mr. George Cecil, seconded by Dr. George Binder and unanimously approved.

**Resolution:** The Commission grants preliminary approval to a project for Carolina Village, Inc. to provide funds, to be used together with other available funds, to refund the \$7,700,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Carolina Village, Inc. Project) Series 1998 outstanding in the amount of \$3,500,000 and the \$15,000,000 North Carolina Medical Care Commission Variable Rate Retirement Facilities First Mortgage Revenue Bonds (Carolina Village Project) Series 2008C outstanding in the amount of \$15,000,000. The refunding will be accomplished by means of a \$18,815,000 Non-Bank Qualified Bond Issue and will be purchased by First Citizens Bank. The 2013 Bonds will carry interest at a variable rate of 70% of one month LIBOR plus 1.61% with an initial put period of seven years. The refunding is projected to result in an approximate 2.5% present value savings. The proposed project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Par amount of bonds to be issued	<u>\$18,815,000</u>
<b>Total Sources</b>	<b>\$18,815,000</b>



**ESTIMATED USES OF FUNDS**

Escrows to refund Series 1998 and Series 2008C Bonds	\$18,552,736
Placement fee	70,000
Corporation Counsel	15,000
Bond counsel	40,000
Trustee fees	5,000
Local Government Commission fee	8,750
Bank counsel	15,000
Appraisal	15,000
Financial advisor	35,000
Swap advisor	50,000
Miscellaneous	<u>8,514</u>
<b>Total Uses</b>	<b>\$18,815,000</b>

Tentative approval is given with the understanding that the governing board of Carolina Village, Inc. accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.



4. **ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:20 a.m.

Respectfully Submitted,

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Christopher B. Taylor, C.P.A.  
Assistant Secretary