

Resolution: The Commission grants preliminary approval to a project for Novant Health, Inc. to provide funds to effect a refunding/conversion of the North Carolina Medical Care Commission Variable Demand Health Care Facilities Revenue Refunding Bonds Series 2008 A, B and C Bonds with Bank Direct Purchase Agreements. The Series A Bonds are being purchased by Wells Fargo and the Series B and C Bonds are being purchased by Bank of America. The holding period for the Series A Bonds is being extended from two to three years and the interest rate reduced from to 68% One Month LIBOR plus 75 basis points to 68% of One Month LIBOR plus 50 basis points. The holding period for the Series B Bonds is being extended from two to seven years and the interest rate is being reduced from 68% of One Month LIBOR plus 82 basis points to 68% of One Month LIBOR plus 75 basis points. The holding period for the Series C Bonds is being extended from two to seven years and the interest rate is being reduced form 68% of One Month LIBOR plus 82 basis points to 68% of One Month LIBOR plus 75 basis points. The transaction is expected to result in an interest savings of \$208,000 per year. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued/converted	\$155,580,000
Corporation equity	<u>97,500</u>
Total Sources	\$155,677,500

ESTIMATED USES OF FUNDS

Refunding/conversion/Series A, B and C Bonds	155,580,000
Corporation counsel	25,000
Bond counsel	30,000
Trustee fee	2,500
Bank counsel (Two Firms)	<u>40,000</u>
Total Uses	\$155,677,500

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

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance or conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance or conversion of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).

5. The Executive Committee of the Commission is delegated the authority to approve the issuance or conversion of bonds for this project and may approve the issuance or conversion 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 or converted in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. The borrower will provide the Commission annually a copy of the Advocacy Needs Data Initiative (ANDI) form it files with the North Carolina Hospital Association (NCHA) in accordance with a resolution passed by the Commission on February 9, 2007 adopting the NCHA Community Benefits reporting format and methodology for hospitals reporting to the Commission.
8. All health care facilities and services directly or indirectly owned or controlled by the health care organization, including physician practices, shall be available to Medicare and Medicaid patients with no limitations imposed as a result of the source of reimbursement.
9. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended ("Section 147(f)"), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the "Governor") approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.

Based on information furnished by applicant, the project is -

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|--|---------------|-----|---------------|----|---------------|-----|
| 1. Financially feasible | <u> ✓ </u> | Yes | <u> </u> | No | <u> </u> | N/A |
| 2. Construction and related costs are reasonable | <u> </u> | Yes | <u> </u> | No | <u> ✓ </u> | N/A |

Notes:

**1) Information from Audited Financial Statements for FYE December 31, 2012
Novant Health, Inc.**

Operating Income	\$184,728,000
Increase in Unrestricted Net Assets	\$283,620,000
Increase in Net Assets	\$285,833,000
Net cash provided by operations	\$250,497,000
Increase (Decrease) in cash and cash equivalents	(\$25,071,000)

2) Information from Unaudited Financials Statements for September 30, 2013

Operating Income	\$117,236,000
Increase in Net Assets	\$170,466,000
Net cash provided (used) by operating activities	(\$239,750,000)
(Decrease) in cash in cash and cash equivalents	(\$90,292,000)

3) Ratings

Fitch	AA-
Moody's	A1
Standard & Poor's	A+

4) Long Term Debt Service Coverage Ratios for Novant Health

Actual FYE 2012	4.24
Forecasted FYE 2013	3.2
Forecasted FYE 2014	3.1
Forecasted FYE 2015	3.2
Forecasted FYE 2016	3.4
Forecasted FYE 2017	3.4

5) Community Benefits per 2012 ANDI Report

Community Benefits	\$496,064,409
Bad Debt	\$ 61,738,250

6)

Participants

Wells Fargo

Bank of America

Robinson Bradshaw & Hinson

Parker Poe Adams & Bernstein

Kutak Rock

Womble Carlyle Sandridge & Rice

Purchaser of Series A Bonds

Purchaser of Series B & C Bonds

Bond Counsel

Bank Counsel for Bank of America –

Bank Counsel for Wells Fargo

Counsel for Novant