

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**

JULY 10, 2014

2:00 P.M.

Members of the Executive Committee Present:

John A. Fagg, MD, Chairman
Joseph D. Crocker, Vice-Chairman
George A. Binder, MD
George H. V. Cecil
Albert F. Lockamy, R.Ph.
Mary L. Piepenbring

Members of the Executive Committee Absent:

Carl K. Rust, MD

Members of Staff Present:

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

Others Present:

Alice Adams, Robinson Bradshaw & Hinson, PA
Tommy Brewer, Ziegler
Robert Chandler, Deerfield Episcopal Retirement Community
John Cheney, Ponder & Co.
Lynn DeJaco, FirstHealth of the Carolinas, Inc.
Stacy Dobson, United Methodist Retirement Homes
Jonathan Erickson, United Methodist Retirement Homes
Michelle Le, BB&T Capital Markets
Allen Robertson, Robinson Bradshaw & Hinson, PA
Bob Zimmer, Galloway Ridge
Heather Rusnak, Galloway Ridge

1. **Purpose of Meeting**

To consider resolutions authorizing the sale of bonds for Deerfield Episcopal Retirement Community, Inc., FirstHealth of the Carolinas, Inc., United Methodist Retirement Homes, and a preliminary approval for Galloway Ridge.

2. **RESOLUTION AUTHORIZING THE ISSUANCE OF \$24,160,000 NORTH CAROLINA MEDICAL CARE COMMISSION HEALTH CARE FACILITIES FIRST MORTGAGE REVENUE REFUNDING BONDS (DEERFIELD EPISCOPAL RETIREMENT COMMUNITY), SERIES 2014 (THE "BONDS")** –

Remarks were made by Tommy Brewer, Robert Chandler and Mary Nash Rusher.

Executive Committee Action: A motion was made by Mr. Joe Crocker, seconded by Ms. Mary Piepenbring, and unanimously approved with 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 bonds and notes to pay the costs of financing or refinancing qualified health care facilities; and

WHEREAS, Deerfield Episcopal Retirement Community, Incorporated (the "Corporation") is a nonprofit corporation duly incorporated and validly existing under the laws of the State of North Carolina and is a "nonprofit agency" under the Act, and owns and operates healthcare facilities for the elderly located in Buncombe County, North Carolina; and

WHEREAS, the Corporation has requested that the Commission issue its Health Care Facilities First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Retirement Community), Series 2014, in an aggregate principal amount not to exceed Twenty-Four Million One Hundred Sixty Thousand Dollars (\$24,160,000) (the "Bonds") and lend the proceeds from the sale of the Bonds to the Corporation pursuant to a Loan Agreement to be dated as of August 1, 2014 (the "Loan Agreement"), between the Commission and the Corporation to (i) refund the Commission's Health Care Facilities First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Retirement Community Project), Series 2004A (the "2004A Bonds"), (ii) refund the Commission's Health Care Facilities First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Retirement Community Project), Series 2004B (the "2004B Bonds" and, together with the 2004A Bonds, the "2004 Bonds"), and (iii) pay certain expenses incurred in connection with the authorization, sale and issuance of the Bonds; and

WHEREAS, the Commission has determined that the public interest will best be served by the proposed financing and, by a resolution adopted on June 18, 2014, has approved the financing, subject to compliance by the Corporation with the conditions set forth in such resolution, and the Corporation has complied with such conditions to the satisfaction of the Commission; and

WHEREAS, the Corporation has previously approved the issuance of the Bonds and related matters in a resolution adopted on June 26, 2014, and the North Carolina Local Government Commission (the “LGC”) approved the issuance and sale of the Bonds at its meeting on July 1, 2014; and

WHEREAS, there have been presented at this meeting draft copies of the following documents (collectively, the “Documents”) relating to the issuance and sale of the Bonds:

- (a) The Trust Agreement to be dated as of August 1, 2014 (the “Trust Agreement”), between the Commission and U.S. Bank National Association, as trustee (the “Bond Trustee”), the provisions of which relate to the issuance of and security for the Bonds, together with the form of the Bonds attached thereto;
- (b) The Loan Agreement;
- (c) Supplemental Indenture for Obligation No. 8 to be dated as of August 1, 2014 (“Supplement No. 8”), between the Corporation and U.S. Bank National Association, as master trustee (the “Master Trustee”), supplementing that Amended and Restated Master Trust Indenture dated as of March 1, 2004, between the Corporation and the Master Trustee;
- (d) Obligation No. 8, to be dated on or about August 5, 2014 (“Obligation No. 8”), from the Corporation to the Commission;
- (e) Supplemental Indenture for Obligation No. 9 to be dated as of August 1, 2014 (“Supplement No. 9”), between the Corporation and the Mater Trustee, supplementing the Master Indenture;
- (f) Obligation No. 9, to be dated on or about August 5, 2014 (“Obligation No. 9”), from the Corporation to the hereinafter defined Purchaser;
- (g) The Bond Purchase Agreement to be dated on or about August 5, 2014 (the “Purchase Agreement”), between First-Citizens Bank & Trust Company (the “Purchaser”), as the purchaser of the Bonds, and the LGC, and subject to the approval of the Commission and the Corporation; and
- (h) The Fourth Amendment to Deed of Trust to be dated as of August 1, 2014 (the “Fourth Amendment to Deed of Trust”), from the Corporation to the deed of trust trustee named therein for the benefit of the Master Trustee; and

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Documents to which it is a party; and

WHEREAS, the Commission has determined 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 Resolution and not defined herein shall have the same meanings in this Resolution as such words and terms are given in the Trust Agreement and the Loan Agreement.

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Retirement Community), Series 2014 (the "Bonds") in the aggregate principal amount of \$24,160,000. The Bonds shall mature and bear interest at a fixed rate as set forth in Exhibit A (subject to certain adjustments as provided in the Trust Agreement). The Bonds are subject to mandatory sinking fund redemption as set forth in Exhibit A.

The Bonds shall be issued in the form of a single registered bond in a denomination equal to the principal amount Outstanding. Interest on the Bonds shall be paid on each May 1 and November 1, beginning November 1, 2014. Payments of principal of and interest on the Bonds shall be forwarded by the Bond Trustee to the Purchaser, as the registered owner of the Bonds in such manner as is set forth in the Trust Agreement.

Section 3. The Bonds shall be subject to optional, extraordinary and mandatory redemption, all at the times, upon the terms and conditions, and at the prices set forth in the Trust Agreement.

Section 4. The Commission finds that the use of the proceeds of the Bonds for a loan to the Corporation to refund the 2004 Bonds will accomplish the public purposes set forth in the Act. The proceeds of the Bonds shall be applied as provided in the Trust Agreement.

Section 5. The forms, terms and provisions of the Documents are hereby approved in all respects. The Officers (as described in Section 10 below) of the Commission are hereby authorized and directed to execute and deliver or approve the Documents in substantially the forms presented to this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary or 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. Such execution and delivery or approval shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 6. The form of the Bonds set forth in the Trust Agreement is hereby approved. The Bonds shall be executed by the manual or facsimile signature of the Chairperson or the Vice Chairperson of the Commission, or any member of the Commission designated by the Chairperson, and the seal of the Commission may be attached thereto or reproduced thereon and the Secretary and any Assistant Secretary of the Commission may execute the Bonds and attest to the Commission's seal thereon. The officers of the Commission are authorized 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 at this meeting, together with such changes, modifications

and deletions as they, with the advice of counsel, may deem necessary, appropriate and consistent with the Trust Agreement. Such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 7. The Commission hereby approves the action of the LGC in authorizing the private sale of the Bonds to the Purchaser at the purchase price of \$24,160,000 (representing the principal amount of the Bonds) in accordance with the terms of the Purchase Agreement.

Section 8. 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 Documents, the Bond Trustee shall deliver the Bonds to the Purchaser against payment therefor, subject to the provisions of the Trust Agreement.

Section 9. John A. Fagg, Chairperson, Joseph D. Crocker, Vice Chairperson, Drexdal R. Pratt, Secretary, Kathy Larrison, Auditor, Crystal Watson-Abbott, Auditor, and Christopher B. Taylor, Assistant Secretary, are each appointed a Commission Representative, as that term is defined in the Loan Agreement, with full power to carry out the duties set forth therein.

Section 10. Any authorization to the Officers of the Commission to execute a document shall be an authorization to the Chairperson, Vice Chairperson, any member of the Commission designated by the Chairperson, the Secretary and any Assistant Secretary to execute such document and to the Secretary and any Assistant Secretary to attest to the Commission's seal and to the signatures of other Officers. The Chairperson, Vice Chairperson and any Assistant Secretary of the Commission are each authorized and directed to take such action and to execute and deliver any such documents, certificates, undertakings, agreements or other instruments, including any tax certificate and IRS Form 8038, as they, with the advice of counsel, may deem necessary or appropriate to effect the issuance of the Bonds or the transactions contemplated by the Documents.

Section 11. The Commission hereby approves (a) Hunton & Williams LLP, as bond counsel for the issuance of the Bonds; (b) First-Citizens Bank & Trust Company, as the Purchaser of the Bonds; (c) Ward and Smith, P.A., as Purchaser's counsel; (d) Womble Carlyle Sandridge & Rice, LLP, as counsel to the Corporation; (e) B.C. Zeigler and Company, as structuring agent; and (f) U.S. Bank National Association, as trustee for the Bonds pursuant to the Trust Agreement, and as master trustee under the Master Indenture.

Section 12. All other acts and deeds of the officers and agents of the Commission previously taken and to be taken that are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bonds, including, but not limited to, the execution and delivery of any certificates, instruments and documents necessary in connection therewith, are hereby approved, ratified and confirmed.

Section 13. If any court of competent jurisdiction determines that any section, paragraph, clause or provisions of this Resolution is invalid and unenforceable, such determination will not invalidate any other provision of this Resolution.

Section 14. All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Resolution are repealed to the extent they are inconsistent with this Resolution.

Section 15. A comparison of the professional fees as set forth in the resolution adopted by the Commission granting preliminary approval of this financing with the actual professional fees incurred in connection with this financing is attached to this Resolution as Exhibit B.

Section 16. This Resolution shall take effect immediately upon its passage.

Exhibit A

Details of Bonds

Principal Amount: \$24,160,000
Interest Rate: 2.50%
Maturity Date: November 1, 2024

The Bonds are subject to mandatory sinking fund redemption on the following dates and amounts:

<u>Date</u>	<u>Amount</u>
05/01/2015	\$1,075,000
11/01/2015	1,075,000
05/01/2016	1,100,000
11/01/2016	1,100,000
05/01/2017	1,135,000
11/01/2017	1,130,000
05/01/2018	1,160,000
11/01/2018	1,160,000
05/01/2019	1,190,000
11/01/2019	1,190,000
05/01/2020	1,220,000
11/01/2020	1,220,000
05/01/2021	1,255,000
11/01/2021	1,250,000
05/01/2022	1,285,000
11/01/2022	1,285,000
05/01/2023	1,315,000
11/01/2023	1,315,000
05/01/2024	1,355,000
11/01/2024	1,345,000*

*Maturity

Exhibit B

Professional Fees

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Corporation Counsel	\$35,000	\$35,000
Bond Counsel	45,000	45,100
Structuring Agent	125,000	125,000
Trustee's Fee and Counsel	5,000	5,000
Accountant's Fee	5,000	5,000
Bank Counsel	10,000	10,000
Bank Fee (Commitment and Origination)	32,500	32,500
Appraisal	10,000	8,000

3. **Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$18,160,000 North Carolina Medical Care Commission Variable Rate Health Care Facilities Revenue Refunding Bonds (FirstHealth of the Carolinas Project), Series 2014A (the "Bonds")** – Remarks were made by John Cheney, Allen Robertson and Lynn DeJaco.

Executive Committee Action: A motion was made by Mr. George Cecil, seconded by Mr. Joe Crocker and unanimously approved.

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 to refund bonds previously issued by the Commission; and

WHEREAS, FirstHealth of the Carolinas, Inc. (the "Corporation") is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina and is a "non-profit agency" within the meaning of the Act; and

WHEREAS, the Corporation has made application to the Commission for a loan for the purpose of providing funds to (1) refund the \$17,530,000 outstanding principal amount of the Commission's Health Care Facilities Revenue Refunding Bonds (FirstHealth of the Carolinas Project), Series 2009C maturing on October 1, 2024 and October 1, 2029 (the "Refunded Bonds") and (2) pay, or reimburse the Corporation for paying, certain expenses incurred in connection with the issuance of the Bonds by the Commission; and

WHEREAS, the Commission has determined that the public will best be served by the proposed refunding and, by resolution adopted by the Commission on May 22, 2014, has approved the issuance of the Bonds (as defined below), subject to compliance by the Corporation with the conditions set forth in such resolution, and the Corporation has complied with such conditions to the satisfaction of the Commission; and

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

(a) a Contract of Purchase, dated July 17, 2014 (the “Purchase Contract”), between the Local Government Commission of North Carolina and PNC Bank, National Association (the “Bank”) and approved by the Commission and the Corporation, pursuant to which the Bank has agreed to purchase the Bonds on the terms and conditions set forth therein and in the Trust Agreement (as defined below);

(b) a Trust Agreement, dated as of July 1, 2014 (the “Trust Agreement”), between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”), the provisions of which relate to the issuance of and security for the Bonds and includes the form of the Bonds;

(c) a Loan Agreement, dated as of July 1, 2014 (the “Loan Agreement”), between the Commission and the Corporation pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(d) a Supplemental Master Trust Indenture No. 24, dated as of July 1, 2014 (“Supplement No. 24”), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”) under the Second Amended and Restated Master Trust Indenture, dated as of February 1, 1998, between the Corporation and First Union National Bank, succeeded by The Bank of New York Mellon Trust Company, N.A., as master trustee, which includes the form of Master Obligation, Series 2014A, to be dated as of the date of delivery of the Bonds, to be issued by the Corporation to the Commission (“Master Obligation, Series 2014A”);

(e) a Supplemental Master Trust Indenture No. 25, dated as of July 1, 2014 (“Supplement No. 25” and together with Supplement No. 24, the “Supplements”), between the Corporation and the Master Trustee, which includes the form of Master Obligation, Series 2014B, to be dated as of the date of delivery of the Bonds, to be issued by the Corporation to the Bank (“Master Obligation, Series 2014B” and together with Master Obligation, Series 2014A, the “Master Obligations”);

(f) a Continuing Covenant Agreement dated as of July 1, 2014 (the “Continuing Covenant Agreement”), between the Corporation and the Bank; and

(g) an Escrow Deposit Agreement dated as of July 1, 2014 (the “Escrow Deposit Agreement”), by and among the Commission, the Corporation and The Bank of New York Mellon Trust Company, N.A. as escrow agent;

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Loan Agreement, the Master Indenture, the Supplements and the Master Obligations; and

WHEREAS, the Commission has determined 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 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 Master Indenture, the Trust Agreement and the Loan Agreement.

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of North Carolina Medical Care Commission Variable Rate Health Care Facilities Revenue Refunding Bonds (FirstHealth of the Carolinas Project), Series 2014A (the "Bonds"), in the aggregate principal amount of \$18,160,000. The Bonds shall mature on October 1, 2029 and shall bear interest at such rates determined in accordance with the Trust Agreement. The Bonds shall be subject to the Sinking Fund Requirements set forth in Schedule 1 hereto. The Bonds shall initially bear interest at a Bank-Bought Rate. During the initial ten-year Bank-Bought Rate Period (the "Initial Period"), the Bonds will bear interest at 2.61%, subject to adjustment under certain circumstances. The Bonds shall be subject to mandatory tender at the end of the Initial Period, July 17, 2024, unless earlier converted to another Interest Rate Period.

The Bonds shall be issued as fully registered bonds in (i) denominations of \$5,000 or any integral multiple thereof during any Long-Term Interest Rate Period and (ii) \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 during any period not described in the preceding clause (i). While bearing interest at any rate other than the Bank-Bought Rate, the Bonds shall be issuable in book-entry form as provided in the Trust Agreement. Interest on the Bonds shall be paid at the times and at the rates determined as specified in the Trust Agreement. 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 3. The Bonds shall be subject to (i) optional, mandatory and extraordinary redemption, (ii) during any Daily Interest Rate Period or Weekly Interest Rate Period, optional tender for purchase, and (iii) mandatory tender for purchase, at all times, upon the terms and conditions, and at the prices set forth in the Trust Agreement.

Section 4. 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 refund the Refunded Bonds and pay costs of issuing the Bonds will accomplish the public purposes set forth in the Act.

Section 5. The forms, terms and provisions of the Trust Agreement, the Loan Agreement and the Escrow Deposit Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated 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, the Loan Agreement and the Escrow Deposit Agreement in substantially the forms presented at this meeting, together with such changes, modifications and deletions as they, 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 6. The form, terms and provisions of the Purchase Contract are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) is hereby authorized and directed to execute and deliver the Purchase Contract in substantially the form presented at this meeting, together with such changes, modifications, insertions and deletions as they, 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 7. The form of the Bonds set forth in the Trust Agreement is hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated 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 at this meeting, together with such changes, modifications and deletions as they, 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 8. The forms, terms and provisions of the Supplements, the Master Obligations and the Continuing Covenant Agreement are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications, insertions and deletions as the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission, with the advice of counsel may deem necessary and appropriate; and the execution and delivery of the Trust Agreement as provided in Section 5 of this Series Resolution shall be conclusive evidence of the approval of the documents listed in this Section by the Commission.

Section 9. The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Bank at the purchase price of \$18,160,000.

Section 10. 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 satisfaction of

the conditions set forth in Section 2.08 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Bank against payment therefor.

Section 11. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as the initial Bond Trustee for the Bonds.

Section 12. If the Bonds are ever converted to an interest rate other than the Bank-Bought Rate, the Depository Trust Company, New York, New York is hereby appointed as the initial Securities Depository for the Bonds, with Cede & Co., a nominee thereof, being the initial Securities Depository Nominee and registered owner of the Bonds.

Section 13. Joseph D. Crocker, Vice Chairman of the Commission, Drexdal R. Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission and Kathy C. Larrison and Crystal Watson-Abbott, Auditors for the Commission, are each hereby appointed a Commission Representative as that term is defined in the Loan Agreement, with full power to carry out the duties set forth therein.

Section 14. The Chairman, Vice Chairman, Secretary, and any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are each hereby 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 they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Trust Agreement, the Loan Agreement, the Continuing Covenant Agreement, the Purchase Contract and the Escrow Deposit Agreement.

Section 15. This Series Resolution shall take effect immediately upon its passage.

Schedule 1

Required Redemption of the Bonds

<u>October 1</u>	<u>Amount</u>
2020	\$920,000
2021	930,000
2022	985,000
2023	1,025,000
2024	1,065,000
2025	855,000
2026	905,000
2027	965,000
2028	1,010,000
2029*	9,500,000

*Maturity

Professional Fees Comparison for
 FirstHealth of the Carolinas, Inc.

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Bank Purchaser Counsel	\$25,000	\$25,000
Bond Counsel	40,000	40,000
Corporation Counsel	40,000	40,000
Financial advisor	56,000	56,000
Accountants	25,000	30,000

4. Galloway Ridge, Inc. Pittsboro - Christopher B. Taylor, Michelle Le, Heather Rusnak, Allen Robertson and Bob Zimmer

Executive Committee Action: A motion was made by Dr. George Binder, seconded by Ms. Mary Piepenbring and unanimously approved with Dr. John Fagg abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for Galloway Ridge, Inc. to provide funds, to be used with other available funds, to refund the North Carolina Medical Care Commission \$15,000,000 Retirement Facilities First Mortgage Revenue Bonds (Galloway Ridge Project) Series 2010B outstanding in the amount of \$15,000,000. The proposed refunding will reduce interest rate risk associated with Adjustable Rate Bonds by refunding the Bonds with a fixed rate issue. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$15,565,000
Corporation equity contribution	147,638
Series 2010B interest fund	<u>159,375</u>
Total Sources	\$15,872,013

ESTIMATED USES OF FUNDS

Amount to refund Series 2010B Bonds	\$15,109,792
Debt service reserve fund for Series 2014 Bonds	299,588
Underwriter's discount and counsel	272,388
Feasibility study	45,000
Corporation counsel	35,000
Bond counsel	60,000

Trustee fee and counsel	5,300
Printing	5,000
Local Government Commission fee	8,750
Miscellaneous	<u>31,195</u>
Total Uses	\$15,872,013

Tentative approval is given with the understanding that the governing board of Galloway Ridge, 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.
8. If at some future date the borrower claims exemption under GS 105 they will comply with the Commission’s Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC’s as adopted on November 9, 2007.

Based on information furnished by applicant, the project is -

1. Financially feasible	✓ _____	Yes	_____	No	_____	N/A
2. Construction and related costs are reasonable	_____	Yes	_____	No	✓ _____	N/A

Notes:

1) Information from 2013 Audit

Operating loss	(\$4,389,430)
Increase in Net Deficit	(\$4,297,898)
Net cash provided by operating activities	\$6,029,286
Net change in cash and cash equivalents	\$678,481

2) Rating-Galloway Ridge is not rated.

3) Community Benefit Note: Galloway Ridge pays property tax and is not subject to GS 105 Community Benefit Charity Care Conditions.

4) Long Term Debt Service Coverage Ratios

Actual FYE	2013	NR (1)
Forecasted	2014	1.46
Projected	2015	1.90
Projected	2016	1.74
Projected	2017	1.91

(1) Not required for FYE 2013 because project still in fill up phase.

5) Financing Participants:

Underwriter- BB& T Capital Markets
Underwriter's counsel – McGuire Woods, LLP
Bond Counsel – Robinson Bradshaw & Hinson, PA
Corporation counsel – Womble Carlyle Sandridge & Rice, PLLC
Trustee – The Bank of New York Mellon Trust Company
Feasibility Consultant – Dixon Hughes Goodman

5. **Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of up to \$12,025,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (The United Methodist Retirement Homes), Series 2014A** – Remarks were made by Mr. Tommy Brewer, Jonathan Erickson and Allen Robertson.

Executive Committee Action: A motion was made by Mr. Al Lockamy, seconded by Ms. Mary Piepenbring and unanimously approved with Dr. John Fagg 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 (including retirement facilities) and to refund bonds previously issued by the Commission; and

WHEREAS, The United Methodist Retirement Homes, Incorporated, successor by merger to Cypress Glen Retirement Community (the “Corporation”), is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina and is a “nonprofit agency” within the meaning of the Act; and

WHEREAS, the Corporation has made application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (1) refund all or a portion of the Commission’s outstanding Retirement Facilities First Mortgage Revenue Refunding Bonds (Cypress Glen Retirement Community), Series 2004A (the “2004A Bonds”), (2) refund a portion of the Commission’s outstanding Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project), Series 2005A (the “2005A Bonds”), (3) refund a portion of the Commission’s outstanding Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project), Series 2005B (the “2005B Bonds”) and (4) pay certain expenses incurred in connection with the issuance of the Bonds by the Commission; and

WHEREAS, the proceeds of the 2004A Bonds were used, together with other funds, to (1) refund all of the Commission’s outstanding Health Care Facilities First Mortgage Revenue Bonds (Cypress Glen Retirement Community Project), Series 1996 (the “1996 Bonds”), (2) refund the outstanding balance of a loan in the original principal amount of \$1,500,000 made to the Corporation by the U.S. Small Business Administration (the “Prior Loan”), (3) fund a debt service reserve fund, and (4) pay certain expenses incurred in connection with the issuance of the 2004A Bonds by the Commission. The proceeds of the 1996 Bonds were used for the purpose of (a) paying the costs of acquiring, constructing and equipping a continuing care retirement facility (the “Cypress Glen Project”), including reimbursement of certain costs previously incurred by the Corporation relating to the Cypress Glen Project, (b) repaying certain existing indebtedness of the Corporation which was incurred to finance certain costs of the Cypress Glen Project, (c) paying all or a portion of the interest on the 1996 Bonds during construction and start-up of certain components of the Cypress Glen Project, (d) funding certain working capital expenses relating to the Cypress Glen Project, (e) funding a debt service reserve fund for the 1996 Bonds and (f) paying certain fees and expenses incurred in connection with the issuance and sale of the 1996 Bonds. The

Cypress Glen Project consists of an approximately 91-acre campus with improvements thereon, including (1) a multi-purpose residential facility containing approximately 106 residential units, dining rooms, living room, library, conference room, offices and other common areas, (2) a health care facility with 30 assisted living beds and 30 skilled nursing beds, and (3) approximately 32 residential cottages. The proceeds of the Prior Loan were used for the purpose of financing a portion of the cost of reconstructing the first floor of each building in the Cypress Glen Project, approximately 60,000 square feet, all of which were damaged by flooding caused by two hurricanes in 1999; and

WHEREAS, the proceeds of the 2005A Bonds were used, together with other funds, to (1) pay a portion of the cost of the 2005 Project described below, (2) pay a portion of the interest on the 2005A Bonds, (3) fund a debt service reserve fund, and (4) pay certain expenses incurred in connection with the issuance of the 2005A Bonds by the Commission. The 2005 Project consists of improvements to a continuing care retirement community known as Croasdaile Village (“Croasdaile Village”) that is located on an approximately 110-acre tract of land in Durham County, North Carolina, including (a) the construction and equipping of 59 new independent living apartment units and nine new independent living duplex cottages containing 18 units and the sitework for six future independent living duplex cottages containing 12 units, (b) the renovation of approximately 5,400 square feet in the existing dining room, and an approximately 5,700 square foot expansion of the existing dining room, (c) the renovation of approximately 3,850 square feet in the existing kitchen, an approximately 1,900 square foot expansion of the existing kitchen and an upgrade of kitchen facilities and equipment, (d) the construction of a new, approximately 1,050 square foot library and conversion of the existing library to a resident activity room, (e) the expansion of administrative areas, (f) the construction of a new, approximately 1,750 square foot laundry facility, (g) other facility and land improvements, and (h) working capital expenses (collectively, the “2005 Project”); and

WHEREAS, the proceeds of the 2005B Bonds were used, together with other funds, to (1) refund all of the Commission’s outstanding Variable Rate Demand Retirement Facilities Revenue Bonds (The United Methodist Retirement Homes 2000 Project) Series A (the “2000 Bonds”), (2) pay a portion of the cost of the 2005 Project described above, (3) pay a portion of the interest on, and a portion of the annual fee for the letter of credit initially securing, the 2005B Bonds, (4) fund a debt service reserve fund, and (5) pay certain expenses incurred in connection with the issuance of the 2005B Bonds by the Commission. The proceeds of the 2000 Bonds were used for the purpose of (a) refunding a portion of outstanding taxable indebtedness, the proceeds of which were used to finance or refinance the costs of acquiring, constructing, equipping and furnishing Croasdaile Village (the “2000 Project” and together with the 2005 Project, the “Croasdaile Village Project”), (b) paying a portion of the interest on and letter of credit fees for the 2000 Bonds, and (c) paying certain expenses incurred in connection with the issuance of the 2000 Bonds by the Commission. The 2000 Project includes (i) 186 independent living apartments located in a central building, (ii) an approximately 35,000 square foot activity building offering dining services and other various amenities and services, (iii) 71 cottages and homes, (iv) 56 residential assisted living units, (v) 15 licensed assisted living units, (vi) 99 licensed skilled nursing units and (vii) 30 licensed special care units for dementia patients; and

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on June 18, 2014, has approved the issuance of the Bonds, subject to compliance by the Corporation with the conditions set forth in such resolution, and the Corporation has complied with such conditions to the satisfaction of the Commission; and

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

(a) a Trust Agreement, dated as of July 1, 2014 (the “Trust Agreement”), between the Commission and U.S. Bank National Association, as bond trustee (the “Bond Trustee”);

(b) a Loan Agreement, dated as of July 1, 2014 (the “Loan Agreement”), between the Commission and the Corporation;

(c) a Supplemental Indenture for Obligation No. 16, dated as of July 1, 2014 (“Supplement No. 16”), by and between the Corporation, The United Methodist Retirement Homes Foundation (the “Foundation”) and U.S. Bank National Association, successor to First-Citizens Bank & Trust Company, as master trustee (the “Master Trustee”) under the Amended and Restated Master Trust Indenture, dated as of February 1, 2005 (as amended and supplemented, the “Master Indenture”), between the Corporation, the Foundation and the Master Trustee;

(d) Obligation No. 16, dated as of the date of issuance of the Bonds, (“Obligation No. 16”), to be issued by the Corporation to the Commission;

(e) a Contract of Purchase, dated the date hereof, between the Local Government Commission of North Carolina and Branch Banking and Trust Company, as the initial purchaser of the Bonds (the “Bank Holder”), and approved by the Commission and the Corporation;

(f) a Supplemental Indenture for Obligation No. 17, dated as of July 1, 2014 (“Supplement No. 17,” and together with Supplement No. 16, the “Supplemental Indentures”), by and between the Corporation, the Foundation and the Master Trustee;

(g) Obligation No. 17, dated as of the date of issuance of the Bonds (“Obligation No. 17,” and together with Obligation No. 16, the “Obligations”), to be issued by the Corporation to the Bank Holder;

(h) a First Amendment to Amended and Restated/Supplemental Deed of Trust, dated as of July 1, 2014 (the “First Amendment”), among the Corporation, the trustee named therein and the Master Trustee, amending and supplementing the Amended and Restated/Supplemental Deed of Trust, dated as of April 1, 2013 (as amended, the “Pitt County Deed of Trust”), from the Corporation to the trustee named therein for the benefit of the Master Trustee; and

(i) two Fifth Amendments to Amended and Restated/Supplemental Deed of Trust, each dated as of July 1, 2014 (collectively, the “Fifth Amendments”), among the Corporation, the trustee named therein, and the Master Trustee, which amend each of the Amended and Restated/Supplemental Deeds of Trust, each dated as of February 1, 2005 (as amended, the “Durham and Robeson Deeds of Trust,” and together with the Pitt County Deed of Trust, the “Corporation Deeds of Trust”), from the Corporation to the trustee named therein for the benefit of the Master Trustee, as amended; and

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Loan Agreement, the Master Indenture, the Supplemental Indentures, and the Obligations; and

WHEREAS, the Commission has determined 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 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 Master Indenture, the Trust Agreement and the Loan Agreement.

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (The United Methodist Retirement Homes), Series 2014A (the “Bonds”), in the aggregate principal amount of up to \$12,025,000. The Bonds shall mature on October 1, 2024 and shall bear interest at such rates determined in accordance with the Trust Agreement and shall be subject to the Sinking Fund Requirements set forth in Schedule 1 hereto.

The Bonds shall be issued as fully registered bonds in (i) denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000 during any Bank-Bought Rate Period or Weekly Rate Period (provided, however, Bonds bearing interest at the Bank-Bought Rate may be initially issued to, and purchased by, the Bank Holder in any principal amount) and (ii) denominations of \$5,000 and any integral multiples thereof during any Long-Term Rate Period or Adjustable Rate Period. While bearing interest at the Weekly Rate, Long-Term Rate or Adjustable Rate, the Bonds shall be issuable in book-entry form as provided in the Trust Agreement. Interest on the Bonds shall be paid at the times and at the rates determined as specified in the Trust Agreement. Payments of principal of and interest on the Bonds shall be made to the registered owners of the Bonds in such manner as is set forth in the Trust Agreement.

Section 3. The Bonds shall be subject to (i) optional, extraordinary and mandatory redemption, (ii) during any Weekly Rate Period or Adjustable Rate Period, optional tender for purchase, and (iii) mandatory tender for purchase, all at the times, upon the terms and conditions, and at the prices set forth in the Trust Agreement.

Section 4. The proceeds of the Bonds shall be applied as provided in Section 2.10 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to (a) refund (i) \$8,015,000 principal amount of the 2004A Bonds, which is all of the 2004A Bonds except those maturing on October 1, 2014 (the “Refunded 2004A Bonds”), (ii) \$2,630,000 principal amount of the 2005A Bonds maturing or subject to mandatory redemption on October 1, 2015 through October 1, 2024 (the “Refunded 2005A Bonds”) and (iii) \$1,285,000 principal amount of the 2005B Bonds (the “Refunded 2005B Bonds,” and collectively with the Refunded 2004A Bonds and the Refunded 2005A Bonds, the “Refunded Bonds”) and (b) pay costs of issuing the Bonds will accomplish the public purposes set forth in the Act.

Section 5. The forms, terms and provisions of the Trust Agreement and the Loan Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated 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 at this meeting, together with such changes, modifications and deletions as they, 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 6. The form, terms and provisions of the Purchase Agreement are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) is hereby authorized and directed to execute and deliver the Purchase Agreement in substantially the form presented at this meeting, together with such changes, modifications, insertions and deletions as they, 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 7. The forms of the Bonds set forth in the Trust Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated 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 forms 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 forms presented at this meeting, together with such changes, modifications and deletions as they, 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 8. The forms, terms and provisions of the Supplemental Indentures, the Obligations, the First Amendment and the Fifth Amendments, are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications and deletions as the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission, with the advice of counsel may deem necessary and appropriate; and the execution and delivery of the Trust

Agreement as provided in Section 5 of this Series Resolution shall be conclusive evidence of the approval of the documents listed in this Section by the Commission.

Section 9. The Commission hereby approves the action of the Local Government Commission authorizing the private sale of the Bonds to the Bank Holder in accordance with the Purchase Agreement at the purchase price of 100% of the principal amount thereof.

Section 10. 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 satisfaction of the conditions set forth in Section 2.10 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Bank against payment therefor.

Section 11. U.S. Bank National Association is hereby appointed as the initial Bond Trustee for the Bonds.

Section 12. If the Bonds are converted to the Weekly Rate, a Long-Term Rate or an Adjustable Rate, the Depository Trust Company, New York, New York is hereby appointed as the initial Securities Depository of the Bonds, with Cede & Co., a nominee thereof, being the initial Securities Depository Nominee and initial registered owner of the Bonds.

Section 13. Joseph D. Crocker, Vice Chairman of the Commission, Drexdal R. Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission and Kathy C. Larrison and Crystal Watson-Abbott, Auditors for the Commission, are each hereby appointed a Commission Representative as that term is defined in the Loan Agreement, with full power to carry out the duties set forth therein.

Section 14. The Chairman, Vice Chairman, Secretary, and any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are each hereby 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 they, with the advice of counsel, may deem necessary or appropriate to effect the refunding of the Refunded Bonds and the transactions contemplated by the Trust Agreement, the Loan Agreement, the Purchase Agreement.

Section 15. This Series Resolution shall take effect immediately upon its passage.

Schedule 1

<u>Due October 1</u>	<u>Sinking Fund Requirement</u>
2014	\$ 75,000
2015	1,565,000
2016	1,565,000
2017	1,580,000
2018	1,230,000
2019	1,275,000
2020	1,305,000
2021	1,350,000
2022	1,385,000
2023	385,000
2024*	310,000

* Maturity

Professional Fees Comparison for
 The United Methodist Retirement Homes, Incorporated

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Structuring fee (Ziegler)	\$90,562	\$90,562
Accountants	5,000	3,500
Corporation counsel	30,000	30,000
Bond counsel	50,000	50,000
Bank commitment fee	40,000	40,000
Bank counsel	30,000	30,000

6. Adjournment

There being no further business, a motion was made to adjourn the meeting by Mr. Joe Crocker, seconded by Ms. Mary Piepenbring and unanimously approved. The meeting adjourned at 2:40 p.m.

Respectfully submitted,

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

