

THE
NORTH CAROLINA
MEDICAL CARE COMMISSION

THE
HEALTH CARE
FACILITIES FINANCE ACT
ANNUAL REPORT

JUNE 30, 2005

NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

“It is hereby declared to be the policy of the State of North Carolina to promote the public health and welfare by providing means for financing, refinancing, acquiring, constructing, equipping and providing of health care facilities to serve the people of the State and to make accessible to them modern and efficient health care facilities”

G e n e r a l S t a t u t e 1 3 1 A - 2

THE NORTH CAROLINA MEDICAL CARE COMMISSION

ROLE OF THE COMMISSION

The North Carolina Medical Care Commission was created primarily as a result of the findings of the North Carolina Hospital and Medical Care Commission, a special commission appointed in 1944 to study the critical shortages in general hospital facilities and trained medical personnel in the State of North Carolina and to make recommendations for improvements in these areas. Among the recommendations made was that the legislature provide for a permanent State agency that would be responsible for the maintenance of high standards in North Carolina's hospitals, and the administration of a medical student loan fund, and a Statewide hospital and medical care program.

The Commission was established in 1945 and empowered by its enabling legislation to, among other things:

1. make a survey of the hospital resources of the State and formulate a Statewide program for construction and maintenance of local hospitals, health centers and related facilities, and receive and administer federal and State Funds appropriated for such purposes;
2. make loans to medical students; and
3. survey all factors concerning the location of the expanded university medical school. (The same act authorized the expansion of the University of North Carolina Medical School from a two-year to a four-year program).

In 1946, Congress passed the Hospital Survey and Construction Act (Hill-Burton) to provide funds for the construction and renovation of health care facilities, and the Commission was designated as the State agency empowered to administer the program within North Carolina. Under this program, which is also known as the Hill-Burton program, health care facility construction in North Carolina totaled more than 500 million dollars, of which 40 percent was provided by federal sources, 5 percent by the State, and 55 percent by local sponsors. Of the more than 500 Hill-Burton projects approved by the Commission between 1946 and 1976, 241 were general hospital projects, including 80 completely new facilities.

Pursuant to the Executive Organization Act of 1973, the 17-member Commission was incorporated into the Department of Health and Human Services. Three members of the Commission are nominated by the North Carolina Medical Society, one by the North Carolina Pharmaceutical Association, one by the North Carolina State Nurses' Association, one by the North Carolina Hospital Association, and one by the Duke Endowment. Each nomination is subject to the Governor's approval. In addition, ten members, one of whom must be a dentist, are appointed by the Governor. Each member is appointed to a four-year term and memberships are staggered. The Commission is attached organizationally to the Department of Health and Human Services, Division of Facility Services, and is staffed by that Agency. Since its inception the Commission has been assigned new responsibilities, while some of the original activities are either no longer needed or are carried out elsewhere. Today the Commission is responsible for the development of rules for:

1. the licensure and operations of hospitals, hospices, free-standing outpatient surgical facilities, nursing homes, home health agencies, home care agencies, nursing pools, and adult care facilities;
2. the regulation of ambulances and emergency medical services personnel;
3. the financing of construction and modernization projects for qualifying health care facilities.

In 1975, the North Carolina General Assembly enacted the Health Care Facilities Finance Act. The Act provides that the North Carolina Medical Care Commission may conduct financing activities to "acquire, construct, equip, or provide health care facilities for any public or nonprofit agency." The Act defines health care facilities as "any building, addition, or improvement including machinery, equipment, or furnishings that are suitable for health care." This definition includes but is not necessarily limited to: general acute care or specialty hospitals, nursing homes, continuing care facilities for the elderly, health care clinics, and outpatient facilities; laboratories and research facilities; laundries and other ancillary service facilities; training facilities for health care personnel, administration buildings, parking lots, garages, and other buildings normally under the jurisdiction of health care facilities.

The law provides that to qualify for assistance under the Act a project must meet several criteria:

1. the applicant must be a non-profit agency or public agency as defined in General Statute 131A-3;
2. the Commission must be satisfied that there is a need for the project in the area where it is to be located;
3. the project applicant must be financially responsible and capable of fulfilling its obligation for making debt service payments;
4. all public facilities such as utilities and other public services necessary for the health care facility must be made available; and
5. all costs associated with the project must be borne by the applicant and not the State.

While several states have health care finance authorities, which issue tax-exempt bonds, the organization and authority of the North Carolina Medical Care Commission make it unique. First, it is not a quasi-independent authority. It is an operational agency of the executive branch of North Carolina State Government, located in the Department of Health and Human Services. Second, it has an affiliation that covers all the major steps involved in a construction project, either directly or through the Division of Facility Services which staffs the Commission. The Division of Facility Services develops the State Medical Facilities Plan, issues Certificates of Need, assists in project development, approves construction plans, monitors the construction process, and finally licenses the facility.

OUTSTANDING DEBT

As of June 30, 2005, the Commission had issued revenue bonds or notes for 283 projects. The total authorized principal amount of all such financings was \$9,427,647,802 and the total outstanding principal amount of all such financings as of June 30, 2005 was \$5,253,384,651 excluding financings that have been refunded. Each issue is payable solely from revenues derived from each corporate entity financed, is separately secured, and is separate and independent from all other series of bonds as to source of payment and security.

MEMBERSHIP

As of June 30, 2005 the Commission consisted of the following 17 members.

Name	Term	Principal Occupation	Residence
Lucy Hancock Bode Chairperson	1993-2005	Housewife/Health Consultant	Raleigh
Joseph D. Crocker Vice-Chairperson	1988-2008	Commercial Banker	Winston-Salem
Martha Barham	2005-2006	Registered Nurse	Raleigh
Andrea Bazan-Manson	2005-2008	Executive Director/El Pueblo	Raleigh
George A. Binder, M.D.	2004-2007	Physician	Fayetteville
Robert F. Burgin	2000-2008	Hospital Administrator	Asheville
George H. V. Cecil	1987-2007	President, Biltmore Dairy Farms, Inc.	Biltmore
Eugene W. Cochran, Jr.	1996-2005	President of the Duke Endowment	Charlotte
Gerald P. Cox	2002-2006	Health Care Executive	Rocky Mount
John A. Fagg, M.D.	2004-2007	Physician	Winston-Salem
Daniel Gottovi, M.D.	1998-2006	Physician	Wilmington
Michael Hubbard	2005-2008	Attorney	Raleigh
Clifford B. Jones, Jr., D.D.S.	1995-2007	Dentist	Elizabeth City

Albert F. Lockamy	1986-2006	Pharmacist	Raleigh
Carl K. Rust, II, M.D.	2002-2005	Physician	Wilmington
Thomas J. Taaffe	1993-2005	Health Care Consultant	Murphy
Henry A. Unger, M.D.	1998-2005	Urologist	Cary

STAFF OF THE COMMISSION

The Division of Facility Services of the Department of Health and Human Services employs a staff of approximately 400 persons, (including registered architects, professional engineers and consultants in fields of emergency medicine, hospital administration, nursing service and administration, dietetics and nutrition and laboratory design and operation, the services of whom are available to and used by the Commission. The Division of Facility Services provides all necessary administrative and clerical assistance to the Commission.

ADMINISTRATIVE PERSONNEL

Robert J. Fitzgerald, Secretary
Christopher B. Taylor, CPA, Assistant Secretary
William L. Warren, Chief of Construction Section, Division of Facility Services
Kathy C. Lackey, Auditor
G. Kelly Vick, Administrative Assistant
Alice S. Creech, Bond Program Assistant

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30, 2005
Presbyterian Hospital Charlotte, North Carolina	12/21/1977	\$20,000,000	\$0 (a)
Lexington Memorial Hospital Lexington, North Carolina	03/01/1978	6,510,000	0 (ss)
Rex Hospital Raleigh, North Carolina	06/01/1978	31,535,000	0 (y)
Duke University Hospital Durham, North Carolina	07/01/1978	79,000,000	0 (b)
Cape Fear Memorial Hospital Wilmington, North Carolina	07/01/1978	3,600,000	0
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	01/01/1979	35,100,000	0 (c)
Duke University Hospital Durham, North Carolina	01/01/1979	6,650,000	0 (b)
Annie Penn Memorial Hospital Reidsville, North Carolina	05/01/1979	7,650,000	0 (t)
Stanly Memorial Hospital Albemarle, North Carolina	05/01/1979	7,535,000	0 (p)
Moore Regional Healthcare Corporation Pinehurst, North Carolina	08/23/1979	10,710,000	0 (d)
Duke University Hospital Durham, North Carolina	06/25/1980	6,736,000	0
	Series B 07/01/1980	7,930,000	0 (b)
Carolinas Hospital and Health Services Charlotte, North Carolina	07/22/1980	200,000	0
Mercy Hospital Charlotte, North Carolina	01/01/1981	8,275,000	0 (e)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30,2005
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	03/01/1981	2,500,000	0
Memorial Hospital of Alamance County Burlington, North Carolina	04/01/1981	\$7,000,000	\$0 (u)
Carolinas Hospital and Health Services (Sun Health) Charlotte, North Carolina	04/08/1981	500,000	0
Scotland Memorial Hospital Laurinburg, North Carolina	06/01/1981	10,800,000	0 (m)
Rex Hospital Raleigh, North Carolina	12/15/1981	760,000	0
Morehead Memorial Hospital Eden, North Carolina	02/01/1982	6,000,000	0 (z)
Chatham Hospital Siler City, North Carolina	06/16/1982	355,000	0
Grace Hospital Morganton, North Carolina	08/01/1982	9,465,000	0 (f)
Carolinas Hospital and Health Services (Sun Health) Charlotte, North Carolina	08/04/1982	600,000	0
Southeastern General Hospital Lumberton, North Carolina	09/01/1982	14,100,000	0 (g)
Community General Hospital Thomasville, North Carolina	12/01/1982	3,100,000	0 (q)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30, 2005
Grace Hospital Morganton, North Carolina	07/01/1983	10,855,000	0 (j)
High Point Regional Hospital High Point, North Carolina	09/01/1983	29,820,000	0 (k)
Grace Hospital Morganton, North Carolina	11/01/1983	8,870,000	0 (j)
Mercy Hospital Charlotte, North Carolina	11/10/1983	2,205,000	0
Rowan Memorial Hospital Salisbury, North Carolina	03/16/1984	\$1,833,000	\$0
High Point Regional Hospital High Point, North Carolina	04/16/1984	915,000	0
The Episcopal Home for the Ageing in the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	05/01/1984	6,200,000	0 (h)
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	05/02/1984	1,475,000	0
St. Joseph's Hospital Asheville, North Carolina	06/15/1984	30,330,000	0 (n)
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	08/01/1984	29,330,000	0 (aa)
Alamance County Hospital Burlington, North Carolina	02/22/1985	2,504,000	0 (u)
Wesley Long Community Hospital Greensboro, North Carolina	04/01/1985	10,670,000	0 (ee)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30, 2005
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	04/24/1985	845,000	0
Carolina Medicorp, Inc. Winston-Salem, North Carolina	05/01/1985	36,550,000	0 (l)
Presbyterian Hospital Charlotte, North Carolina	05/24/1985	8,700,000	0 (i)
Southeastern General Hospital Lumberton, North Carolina	07/01/1985	16,345,000	0 (v)
Duke University Hospital Durham, North Carolina	07/01/1985	48,245,000	0 (mm)
North Carolina Baptist Hospitals, Inc. Winston Salem, North Carolina	07/15/1985	\$86,000,000	\$0 (w)
Bowman Gray School of Medicine of Wake Forest University Winston Salem, North Carolina	07/15/1985	42,000,000	0
Mercy Hospital Charlotte, North Carolina	08/01/1985	29,980,000	0 (bb)
The Episcopal Home for the Ageing in the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	08/01/1985	8,180,000	0 (ff)
The United Church Retirement Home, Inc. Thomasville, North Carolina	08/01/1985	6,400,000	0 (nn)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30, 2005
Duke University Hospital Durham, North Carolina	10/02/1985	43,500,000	0
Presbyterian Hospital Charlotte, North Carolina	12/01/1985	24,000,000	0 (r)
Southminster, Inc. Charlotte, North Carolina	12/01/1985	23,825,000	0 (oo)
Pooled Equipment Financing Project, Series 1985 Raleigh, North Carolina	12/01/1985	100,000,000	67,400,000
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	12/01/1985	15,000,000	0 (aa)
Moore Memorial Hospital Pinehurst, North Carolina	12/01/1985	10,980,000	0
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	12/01/1985	25,855,000	0
Duke University Hospital Durham, North Carolina	12/18/1985	\$34,415,000	\$0
The McDowell Hospital Marion, North Carolina	06/01/1986	8,935,000	0 (x)
Pooled Financing Project Series 1986 Raleigh, North Carolina	07/01/1986	100,000,000	0
Cornelia Nixon Davis Nursing Home Wilmington, North Carolina	10/16/1986	980,980	0
Grace Hospital Morganton, North Carolina	02/01/1987	23,450,000	0 (tt)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30,2005
High Point Regional Hospital Greensboro, North Carolina	02/01/1987	34,280,000	0 (xx)
Blumenthal Jewish Home Clemmons, North Carolina	03/25/1987	6,600,000	0 (o)
Carolina Medicorp, Inc. Winston-Salem, North Carolina	08/01/1987	53,142,316	0 (cc)
Wesley Long Community Hospital Greensboro, North Carolina	08/15/1987	25,715,000	0 (ee)
The Methodist Home, Inc. Charlotte, North Carolina	02/01/1988	13,500,000	0
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	06/01/1988	2,750,000	0
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	06/15/1988	21,337,717	0 (gg)
Scotland Memorial Hospital Laurinburg, North Carolina	06/01/1988	14,087,969	0 (hh)
Davidson Retirement Community, Inc. Davidson, North Carolina	09/15/1988	24,210,000	0 (ii)
St. Joseph's Hospital Asheville, North Carolina	11/01/1988	\$34,553,639	\$0 (jj)
Blumenthal Jewish Home Clemmons, North Carolina	11/01/1988	6,350,000	0
Fletcher Hospital, Incorporated dba Park Ridge Hospital Fletcher, North Carolina	12/01/1988	20,300,000	0 (eeee)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

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Gaston Health Care Support, Inc. Gastonia, North Carolina	05/01/1989	42,472,967	0 (pp)
Roanoke-Chowan Hospital Ahoskie, North Carolina	07/01/1989	12,165,000	0 (ddd)
Transylvania Community Hospital Brevard, North Carolina	09/01/1989	4,060,000	0 (yy)
Stanly Memorial Hospital Albemarle, North Carolina	11/01/1989	17,285,000	0 (qq)
The Forest at Duke, Inc. Durham, North Carolina	04/16/1990	3,150,000	0 (s)
Angel Community Hospital Franklin, North Carolina	05/01/1990	7,050,000	0 (zz)
Presbyterian Hospital Charlotte, North Carolina	10/01/1991	101,108,090	0 (dd)
Community General Hospital Thomasville, North Carolina	10/01/1991	6,860,000	0 (aaa)
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	11/01/1990	5,150,000	0
The Forest at Duke, Inc. Durham, North Carolina	11/01/1990 01/15/1990	53,630,000 965,000	0 (kk) 0
Wilson Memorial Hospital Wilson, North Carolina	12/01/1990	53,658,422	0 (uu)
St. Joseph of the Pines, Inc. Southern Pines, North Carolina	01/01/1991	\$3,350,000	\$0 (eee)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30,2005
Memorial Mission Hospital, Inc. Asheville, North Carolina	02/05/1991	2,055,870	0
Pooled Financing Project Series 1991 A Raleigh, North Carolina	03/01/1991	54,300,000	700,000
Carolina Medicorp, Inc. Winston Salem, North Carolina	04/01/1991	50,152,471	0 (aaa)
Chapel Hill Residential Retirement Center dba Carol Woods Chapel Hill, North Carolina	04/01/1991	25,900,000	0 (nnn)
Wayne Memorial Hospital Goldsboro, North Carolina	05/01/1991	41,016,323	0 (fff)
Valdese General Hospital Valdese, North Carolina	05/15/1991	11,390,000	0 (ggg)
Pooled Financing Project Series 1991 B Raleigh, North Carolina	06/01/1991	22,500,000	3,700,000
Duke University Hospital Durham, North Carolina	06/01/1991	14,872,987	0 (mm)
C. J. Harris Community Hospital Sylva, North Carolina	07/26/1991	1,384,246	0 (ll)
Glenaire, Inc. Cary, North Carolina	10/01/1991	27,565,000	0 (rr)
Annie Penn Memorial Hospital Reidsville, North Carolina	11/01/1991	13,140,000	0 (bbb)
Well Spring Retirement Community, Inc. Greensboro, North Carolina	11/01/1991	44,495,000	0 (ww)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

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Southeastern General Hospital Lumberton, North Carolina	11/01/1991	27,835,626	655,661
The McDowell Hospital Marion, North Carolina	11/01/1991	\$8,780,000	\$0 (lll)
North Carolina Baptist Hospitals, Inc. Winston Salem, North Carolina	01/01/1992	87,456,982	994,179 (ffff)
Friends Home, Inc. Greensboro, North Carolina	02/01/1992	34,405,000	0 (vv)
Alamance Health Service, Inc. Burlington, North Carolina	02/15/1992	18,315,000	0 (hhh)
Halifax Memorial Hospital Roanoke Rapids, North Carolina	06/15/1992	21,995,000	0 (iii)
Memorial Mission Hospital Asheville, North Carolina	07/01/1992	40,794,261	0 (jjj)
Carolina Medicorp, Inc. Winston-Salem, North Carolina	08/01/1992	57,100,495	0 (vvv)
Presbyterian Health Services Corp. Charlotte, North Carolina	10/01/1992	70,385,000	0 (aaa)
North Carolina Baptist Hospitals Winston Salem, North Carolina	10/29/1992	55,000,000	55,000,000
Mercy Hospital Charlotte, North Carolina	11/01/1992	34,335,000	0
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	01/28/1993	61,600,000	61,600,000
Rex Hospital Raleigh, North Carolina	01/01/1993	68,060,075	0 (ccc)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

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Alamance Health Services, Inc. Burlington, North Carolina		03/01/1993	53,000,000	43,320,000
Morehead Memorial Hospital Eden, North Carolina		05/01/1993	11,010,000	0 (gggg)
Presbyterian Health Services Corp. Charlotte, North Carolina		06/01/1993	114,595,000	0 (vvv)
Duke University Hospital Durham, North Carolina		08/12/1993	28,650,000	28,650,000
Memorial Mission Hospital Asheville, North Carolina		07/15/1993	\$24,245,000	\$0 (www)
The Episcopal Home for the Ageing in the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	Series A	10/01/1993	8,000,000	0 (xxx)
	Series B	10/01/1993	290,000	0
Moore Regional Hospital Pinehurst, North Carolina		10/01/1993	50,150,373	0 (ppp)
Wesley Long Community Hospital Greensboro, North Carolina		11/15/1993	39,065,000	0 (hhh)
Scotland Memorial Hospital Laurinburg, North Carolina		12/01/1993	20,905,000	10,415,000
St. Joseph's Hospital Asheville, North Carolina		01/01/1994	35,970,000	0 (jjj)
Davidson Retirement Community, Inc. Davidson, North Carolina		01/01/1994	17,090,000	12,910,000
The Forest at Duke, Inc. Durham, North Carolina		03/01/1994	35,685,000	300,000 (yyy)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30,2005
C. J. Harris Community Hospital Sylva, North Carolina	03/15/1994	15,000,000	0 (qqq)
Pooled Financing Project Series 1994 Raleigh, North Carolina	05/12/1994	16,100,000	0
Southminster, Inc. Charlotte, North Carolina	07/01/1994	19,500,000	0 (rrr)
United Church Retirement Home Newton, North Carolina	09/15/1994	19,065,000	0 (kkk)
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	06/15/1995	15,000,000	0
Gaston Memorial Hospital Gastonia, North Carolina	10/15/1995	62,580,000	45,885,000
Pavillon International (Michigan nonprofit corporation)	12/14/1995	\$5,100,000	\$0
Glenaire, Inc. Cary, North Carolina	02/15/1996	22,120,000	2,050,000 (iii)
Pooled Financing Project Series 1996 Raleigh, North Carolina	05/08/1996	45,100,000	0
Stanly Memorial Hospital Albemarle, North Carolina	05/01/1996	28,990,000	19,255,000
North Carolina Baptist Hospitals, Inc. Winston-Salem, North Carolina	06/27/1996	50,000,000	19,500,000 (mmm)
Grace Hospital Morganton, North Carolina	08/15/1996	26,240,000	19,705,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

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Saint Joseph of the Pines Pinehurst, North Carolina	09/24/1996	10,000,000	0 (eee)
Duke University Durham, North Carolina	10/01/1996	121,379,383	14,949,383 (jjjj)
Lincoln Health System Lincolnton, North Carolina	11/20/1996	12,800,000	10,800,000
Southminster, Inc. Charlotte, North Carolina	11/01/1996	5,055,000	5,055,000
Carolina Medicorp, Inc. Winston-Salem, North Carolina	11/01/1996	104,428,199	89,993,199
Friends Home Greensboro, North Carolina	12/01/1996	25,715,000	0 (zzz)
Lincoln Health System Lincolnton, North Carolina	12/12/1996	2,500,000	0
Cypress Glen Durham, North Carolina	12/01/1996	20,130,000	0 (aaaa)
ACTS West Point, Pennsylvania	12/19/1996	37,655,000	0 (sss)
Wilson Memorial Hospital Wilson, North Carolina	02/01/1997	\$50,953,361	\$36,648,361
Well Spring Retirement Community, Inc. Greensboro, North Carolina	02/15/1997	40,060,000	4,630,000 (bbbb)
Wake County Hospital System, Inc. Raleigh, North Carolina	03/01/1997	108,550,000	93,205,000
Cabarrus Memorial Hospital Concord, North Carolina	03/13/1997	20,175,000	0 (ttt)
Lexington Memorial Hospital Lexington, North Carolina	04/09/1997	16,500,000	7,400,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30, 2005
Spruce Pine Community Hospital (Blue Ridge Hospital System Inc.) Spruce Pine, North Carolina	07/17/1997	2,935,000	2,535,000
Deerfield Episcopal Retirement Community Asheville, North Carolina	11/01/1997	73,780,000	50,000 (cccc)
Transylvania Community Hospital Brevard, North Carolina	11/01/1997	4,855,000	3,860,000
High Point Regional Health System High Point, North Carolina	11/01/1997	29,880,000	16,340,000
Givens Estates, Inc. Asheville, North Carolina	11/18/1997	12,000,000	0 (dddd)
Angel Medical Center Franklin, North Carolina	11/21/1997	13,475,000	10,030,000
Glenaire, Inc. Cary, North Carolina	12/01/1997	14,395,000	13,335,000
Pungo District Hospital Bellhaven, North Carolina	12/23/1997	4,000,000	2,800,000
DePaul Community Facilities Rochester, New York	01/28/1998	4,645,000	3,985,000
First Health of the Carolinas Pinehurst, North Carolina	02/01/1998	88,335,000	79,290,000
Annie Penn Memorial Hospital Reidsville, North Carolina	03/15/1998	13,460,000	0
Rex Healthcare Raleigh, North Carolina	03/15/1998	\$124,215,000	\$103,435,000
Mission-Thoms-St. Joseph's Health Services Asheville, North Carolina	03/17/1998	4,670,000	0

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

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Novant Health Winston-Salem, North Carolina	04/01/1998	121,425,000	103,415,000
Lutheran Services for the Aging Salisbury, North Carolina	04/02/1998	23,625,000	23,625,000
Stanley Total Living Center Stanley, North Carolina	04/23/1998	4,210,000	3,010,000
Cornelia Nixon Davis Health Care Center Wilmington, North Carolina	06/17/1998	7,500,000	6,525,000
Carolina Meadows Chapel Hill, North Carolina	06/23/1998	5,000,000	0 (kkkk)
Catholic Health East (St. Joseph of the Pines) Pinehurst, North Carolina	06/15/1998	41,945,000	38,145,000
Catholic Health East (St. Joseph of the Pines) Pinehurst, North Carolina	07/15/1998	30,000,000	30,000,000
United Church Retirement Homes Newton, North Carolina	07/01/1998	19,705,000	550,000 (llll)
Alamance Regional Medical Center Burlington, North Carolina	07/01/1998	16,575,000	13,540,000
The Presbyterian Home at Charlotte (Sharon Towers) Charlotte, North Carolina	08/25/1998	8,500,000	0 (ooo)
Gaston Health Care Gastonia, North Carolina	08/01/1998	82,935,000	53,930,000 (uuu)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30,2005
Duke University Health System Durham, North Carolina	08/01/1998	83,235,000	9,310,000 (jjjj)
Valdese General Hospital Valdese, North Carolina	09/03/1998	\$11,030,000	\$0 (mmmm)
Pitt County Memorial Hospital Greenville, North Carolina	09/01/1998	207,170,000	180,880,000
Halifax Regional Medical Center Roanoke Rapids, North Carolina	09/01/1998	33,670,000	24,850,000
Wayne Memorial Hospital Goldsboro, North Carolina	09/15/1998	41,310,000	34,165,000
Duke University Health System Durham, North Carolina	10/01/1998	199,300,000	25,680,000 (jjjj)
Carolina Village Hendersonville, North Carolina	10/21/1998	7,700,000	6,600,000
Novant Health Winston-Salem, North Carolina	10/01/1998	57,925,000	56,330,000
Pitt County Memorial Hospital Greenville, North Carolina	10/01/1998	84,000,000	78,405,000
J. Arthur Doshier Memorial Hospital Southport, North Carolina	11/12/1998	5,000,000	4,090,000
Moses Cone Health System Greensboro, North Carolina	11/12/1998	15,000,000	2,500,000
Cabarrus Memorial Hospital (NorthEast Medical Center) Concord, North Carolina	11/01/1998	15,405,000	10,370,000
Mission-St. Joseph's Health System Asheville, North Carolina	11/01/1998	114,650,000	104,820,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30,2005
Lutheran Retirement Ministries of Alamance County (Twin Lakes) Burlington, North Carolina	01/14/1999	20,465,000	15,995,000
The Cross Road Rest and Retirement Center Asheboro, North Carolina	03/11/1999	5,700,000	4,505,000
Randolph Hospital Asheboro, North Carolina	03/18/1999	25,970,000	22,270,000
WakeMed Raleigh, North Carolina	04/22/1999	\$36,265,000	\$10,665,000
High Point Regional Health System High Point, North Carolina	04/01/1999	61,070,000	51,825,000
Transylvania Community Hospital Brevard, North Carolina	08/01/1999	1,000,000	32,375
North Carolina Cancer Institute Lumberton, North Carolina	08/01/1999	1,500,000	1,230,432
Scotland Memorial Hospital Laurinburg, North Carolina	07/15/1999	13,500,000	10,245,000
Moravian Home, Incorporated (Salemtowne) Winston-Salem, North Carolina	10/01/1999	15,595,000	13,435,000
Stanly Memorial Hospital Albermarle, North Carolina	10/15/1999	15,000,000	13,970,000
Southeastern Regional Medical Center Lumberton, North Carolina	10/15/1999	25,270,000	17,920,000
DePaul Community Facilities Rochester, New York	12/07/1999	14,315,000	13,930,000
The McDowell Hospital Marion, North Carolina	12/16/1999	6,765,000	5,130,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30,2005
North Carolina Housing Foundation Winston-Salem, North Carolina		02/01/2000	11,970,000	11,405,000
Grace Hospital, Inc. Morganton, North Carolina		03/16/2000	20,700,000	0 (mmmm)
North Carolina Baptist Hospitals, Inc. Winston-Salem, North Carolina		06/15/2000	150,800,000	134,700,000
United Methodist Retirement Homes Croasdaile Village Durham, North Carolina		09/28/2000	46,465,000	44,945,000
United Methodist Retirement Homes Croasdaile Village Durham, North Carolina		09/28/2000	15,795,000	0 (nnnn)
NorthEast Medical Center Concord, North Carolina		10/27/2000	\$32,290,000	\$27,145,000
Mission-St. Joseph's Asheville, North Carolina		12/12/2000	4,775,000	0
Presbyterian Homes Jamestown, North Carolina		02/21/2001	91,885,000	76,885,000 (iiii)
Providence Place High Point, North Carolina	Series A	04/29/2001	11,235,000	11,230,000
	Series B	04/29/2001	175,000	0
WakeMed Raleigh, North Carolina		04/05/2001	150,000,000	150,000,000
Moravian Home (Salemtowne) Winston-Salem, North Carolina		04/26/2001	24,215,000	24,215,000
Cleveland Regional Medical Center Shelby, North Carolina		05/10/2001	30,000,000	0 (oooo)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30, 2005
Chapel Hill Residential Retirement Center dba Carol Woods Retirement Community Chapel Hill, North Carolina		07/02/2001	33,030,000	30,820,000
Moses Cone Health System Greensboro, North Carolina	Series A	07/11/2001	42,600,000	42,600,000
	Series B	07/11/2001	42,600,000	42,600,000
Aldersgate United Methodist Retirement Community, Inc. Charlotte, North Carolina		07/12/2001	40,835,000	38,555,000
Rutherford Hospital Rutherfordton, North Carolina		08/01/2001	16,800,000	13,380,000
Mission-St. Joseph's Health System Asheville, North Carolina		09/01/2001	109,720,000	107,545,000
Duke University Health System, Inc. Durham, North Carolina		09/21/2001	42,000,000	11,851,011
Presbyterian Home at Charlotte (Sharon Towers) Charlotte, North Carolina		09/25/2001	23,500,000	14,250,000
Baptist Retirement Homes of North Carolina, Inc. (Taylor Glen) Winston-Salem, North Carolina	Series A	10/11/2001	\$40,285,000	\$11,230,000
	Series B	10/17/2001	8,100,000	6,955,000
	Series C	10/17/2001	5,900,000	0
Alamance Extended Care, Inc. (Village at Brookwood) Burlington, North Carolina	Series A	11/01/2001	32,560,000	32,560,000
	Series B	11/28/2001	8,500,000	8,500,000
	Series C	11/28/2001	17,000,000	17,000,000
Aston Park Health Care Center, Inc. Asheville, North Carolina		02/14/2002	4,100,000	3,700,000
FirstHealth of the Carolinas Pinehurst, North Carolina		02/27/2002	29,400,000	0
		02/27/2002	50,000,000	50,000,000
Arbor Acres United Methodist Retirement Community, Inc. Winston-Salem, North Carolina		03/01/2002	23,105,000	23,105,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30, 2005
The Forest at Duke, Inc. Durham, North Carolina		03/15/2002	23,495,000	23,495,000
Senior Care Group of McDowell, LLC Nebo, North Carolina	Series A Series B	06/01/2002 06/01/2002	7,210,000 800,000	7,065,000 800,000
Union Regional Medical Center Monroe, North Carolina	Series A Series B	07/11/2002 07/11/2002	25,000,000 15,000,000	23,195,000 15,000,000
Southeastern Regional Medical Center Lumberton, North Carolina		08/14/2002	48,980,000	48,570,000
Wake Forest University Health Sciences Winston-Salem, North Carolina		08/22/2002	198,800,000	198,800,000
NorthEast Medical Center Concord, North Carolina	Series A Series B	09/10/2002 09/10/2002	30,000,000 30,000,000	29,550,000 30,000,000
Southminster, Inc. Charlotte, North Carolina		10/01/2002	13,320,000	11,630,000
North Carolina Baptist Hospitals Winston-Salem, North Carolina		10/31/2002	162,400,000	162,400,000
WestCare Health System Sylva, North Carolina	Series A Series B	11/14/2002 11/14/2002	26,860,000 880,000	25,810,000 850,000
ACTS Retirement-Life Communities, Inc. West Point, Pennsylvania		12/18/2002	\$27,255,000	\$19,475,000
CaroMont Health Gastonia, North Carolina		01/23/2003	120,000,000	119,900,000
Cornelia Nixon Davis Nursing Home Wilmington, North Carolina		01/23/2003	7,000,000	7,000,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30, 2005
FirstHealth of the Carolinas Pinehurst, North Carolina		04/10/2003	45,750,000	41,300,000
Hugh Chatham Memorial Hospital Elkin, North Carolina		04/23/2003	40,000,000	39,310,000
Memorial Mission Hospital, Inc. Asheville, North Carolina		05/29/2003	25,000,000	17,065,047
Novant Health Winston-Salem, North Carolina		07/01/2003	164,325,000	158,355,000
Givens Estates, Inc. Asheville, North Carolina	Series A	07/15/2003	63,385,000	63,385,000
	Series B	07/15/2003	7,000,000	7,000,000
	Series C	08/14/2003	39,000,000	39,000,000
Maria Parham Medical Center Henderon, North Carolina		08/01/2003	50,835,000	50,835,000
Betsy Johnson Regional Hospital Dunn, North Carolina		09/24/2003	24,770,000	24,770,000
Mission St. Joseph's Health System Asheville, North Carolina		10/01/2003	18,530,000	17,580,000
Friends Homes, Inc. Greensboro, North Carolina		10/16/2003	45,165,000	44,255,000
The Forest at Duke, Inc. Durham, North Carolina	Series A	11/01/2003	25,990,000	25,100,000
	Series B	11/01/2003	5,210,000	5,210,000
Northern Hospital District of Surry County Mount Airy, North Carolina		12/01/2003	2,422,050	1,878,583
Well Spring Retirement Community Greensboro, North Carolina	Series A	12/01/2003	15,450,000	14,745,000
	Series B	12/01/2003	2,000,000	2,000,000
	Series C	12/23/2003	10,000,000	9,570,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30, 2005
Lutheran Retirement Ministries Elon, North Carolina		12/11/2003	\$13,030,000	\$12,745,000
The Episcopal Home for the Ageing In the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	Series A Series B	02/01/2004 02/01/2004	3,185,000 2,470,000	3,185,000 2,470,000
Deerfield Episcopal Retirement Community Asheville, North Carolina	Series A Series B Series C	03/01/2004 03/01/2004 03/01/2004	37,505,000 5,000,000 10,000,000	36,445,000 5,000,000 10,000,000
Cypress Glen Retirement Community Greenville, North Carolina	Series A Series B	03/15/2004 03/15/2004	15,410,000 5,000,000	14,835,000 5,000,000
Cleveland County Healthcare System Shelby, North Carolina	Series A	06/30/2004	38,600,000	38,600,000
Cleveland County Healthcare System Shelby, North Carolina		07/15/2004	29,475,000	29,475,000
Stanly Memorial Hospital Albemarle, North Carolina		07/22/2004	5,000,000	221,420
NorthEast Medical Center Concord, North Carolina		08/05/2004	30,000,000	30,000,000
Rowan Regional Medical Center Salisbury, North Carolina		08/18/2004	87,125,000	87,125,000
Cypress Glen Retirement Community Greenville, North Carolina	Series C Series D	08/19/2004 08/19/2004	12,960,000 2,500,000	12,960,000 2,500,000
Moses Cone Health System Greensboro, North Carolina	Series A Series B	10/19/2004 10/19/2004	47,500,000 47,500,000	47,500,000 47,500,000
The ARC of North Carolina Raleigh, North Carolina	Series A Series B	10/21/2004 10/21/2004	34,650,000 1,270,000	34,650,000 1,125,000
Carolina Meadows Chapel Hill, North Carolina		11/07/2004	20,110,000	20,110,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF June 30,2005
Novant Health Winston-Salem, North Carolina		11/08/2004	135,000,000	135,000,000
Fletcher Hospital dba Park Ridge Hospital Fletcher, North Carolina		01/13/2005	14,000,000	14,000,000
United Methodist Retirement Homes Durham, North Carolina	Series A	02/16/2005	\$20,790,000	\$20,790,000
	Series B	02/16/2005	24,250,000	24,250,000
United Church Homes and Services Newton, North Carolina	Series A	04/21/2005	13,755,000	13,755,000
	Series B	04/21/2005	5,000,000	5,000,000
Presbyterian Homes Jamestown, North Carolina	Series A	05/04/2005	13,465,000	13,465,000
	Series B	05/04/2005	4,090,000	4,090,000
Duke University Health System Durham, North Carolina	Series A	05/19/2005	107,380,000	107,380,000
	Series B	05/19/2005	107,380,000	107,380,000
	Series C	05/19/2005	107,380,000	107,380,000
Blue Ridge Health System Morganton, North Carolina	Series A	06/19/2005	35,000,000	35,000,000
	Series B	06/19/2005	43,075,000	43,075,000
Watauga Medical Center Boone, North Carolina		06/14/2005	31,350,000	31,350,000
Morehead Memorial Hospital Eden, North Carolina		06/15/2005	47,675,000	47,675,000
TOTAL			<u>\$9,427,647,802</u>	<u>\$5,253,384,651</u>

- (a) Defeased by 5/24/85 Presbyterian Hospital Bond Issue
- (b) Defeased by 7/1/85 Duke University Hospital Refunding Bond Issue
- (c) Defeased by 12/1/85 Memorial Mission Bond Issue
- (d) Defeased by 12/1/85 Moore Memorial Bond Issue
- (e) Defeased by 8/1/85 Mercy Hospital Bond Issue
- (f) Defeased by 7/1/83 Grace Hospital Bond Issue
- (g) Defeased by 7/1/85 Southeastern General Hospital Bond Issue
- (h) Defeased by 8/1/85 The Episcopal Home for the Aging in the Diocese of North Carolina Bond Issue
- (i) Defeased by 12/1/85 Presbyterian Hospital Bond Issue
- (j) Defeased by 2/1/87 Grace Hospital Bond Issue
- (k) Defeased by 2/1/87 High Point Regional Hospital Bond Issue
- (l) Defeased by 8/1/87 Carolina Medicorp Bond Issue
- (m) Defeased by 6/1/88 Scotland Memorial Hospital Bond Issue
- (n) Defeased by 11/1/88 St. Joseph's Hospital Bond Issue
- (o) Defeased by 11/1/88 Blumenthal Jewish Home Bond Issue
- (p) Defeased by 11/1/89 Stanly Memorial Hospital Bond Issue
- (q) Defeased by 10/1/90 Community General Hospital Bond Issue
- (r) Defeased by 10/1/90 Presbyterian Hospital Bond Issue
- (s) Defeased by 11/1/90 Forest at Duke Bond Issue
- (t) Defeased by 11/1/91 Annie Penn memorial Hospital Bond Issue
- (u) Defeased by 2/15/92 Alamance Health Services Bond Issue
- (v) Defeased by 11/1/91 Southeastern General Hospital Bond Issue
- (w) Defeased by 1/1/92 North Carolina Baptist Hospitals Bond Issue
- (x) Defeased by 11/1/91 McDowell Hospital Bond Issue
- (y) Defeased by 1/1/93 Rex Hospital Bond Issue
- (z) Defeased by 5/1/93 Morehead Memorial Hospital Bond Issue
- (aa) Defeased by 1/29/93 The Moses H. Cone Memorial Hospital Bond Issue
- (bb) Defeased by 11/1/92 Mercy Hospital Bond Issue
- (cc) Defeased by 8/1/92 Carolina Medicorp, Inc. Bond Issue
- (dd) Defeased by 6/1/93 Presbyterian Health Services Corp. Bond Issue
- (ee) Defeased by 11/15/93 Wesley Long Community Hospital, Series 1993 Bond Issue
- (ff) Defeased by 10/1/93 Penick Memorial Home Series 1993A Bond Issue
- (gg) Defeased by 7/15/93 Memorial Mission Hospital Series 1993 Bond Issue
- (hh) Defeased by 12/1/93 Scotland Memorial Hospital Series 1993 Bond Issue
- (ii) Defeased in part by 1/1/94 The Pines at Davidson Series 1994 Bond Issue
- (jj) Defeased by 1/1/94 St. Joseph's Hospital Series 1994 Bond Issue
- (kk) Defeased in part by 3/1/94 The Forest at Duke Series 1994 Bond Issue
- (ll) Defeased by 3/15/94 C.J. Harris Community Hospital Series 1994 Bond Issue
- (mm) Defeased in part by 8/12/93 Duke University Hospital Series 1993A Bond Issue
- (nn) Defeased by 9/15/94 United Church Retirement Homes Series 1994 Bond Issue
- (oo) Defeased by 7/1/94 Southminster Series 1994 Bond Issue
- (pp) Defeased by 10/15/95 Gaston Memorial Hospital Series 1995 Bond Issue
- (qq) Defeased by 5/1/96 Stanly Memorial Hospital Series 1996 Bond Issue
- (rr) Defeased by 2/15/96 Glenaire Project Series 1996 Bond Issue

(ss) Defeased by 4/9/97 Lexington Memorial Hospital Series 1997 Bond Issue
 (tt) Defeased by 8/15/96 Grace Hospital Series 1996 Bond Issue
 (uu) Defeased by 2/1/97 Wilson Memorial Hospital Series 1997 Bond Issue
 (vv) Defeased by 12/1/96 Friends Home West Series 1996 Bond Issue
 (ww) Defeased by 2/15/97 Well Spring Retirement Community Series 1997 Bond Issue
 (xx) Defeased by 11/1/97 High Point Regional Health System Series 1997 Bond Issue
 (yy) Defeased by 11/1/97 Transylvania Community Hospital Series 1997 Bond Issue
 (zz) Defeased by 11/21/97 Angel Medical Center Series 1997 Bond Issue
 (aaa) Defeased by 4/1/98 Novant Health System Series 1998A Bond Issue
 (bbb) Defeased by 3/15/98 Annie Penn Memorial Hospital Series 1998 Bond Issue
 (ccc) Defeased in part by 3/15/98 Rex Healthcare Series 1998 Bond Issue
 (ddd) Defeased by 9/1/98 Pitt County Memorial Hospital Series 1998A Bond Issue
 (eee) Defeased by 6/15/98 Catholic Health East 1998C and 1998D Bond Issues
 (fff) Defeased by 9/15/98 Wayne Memorial Hospital Series 1998 Bond Issue
 (ggg) Defeased by 9/3/98 Valdese General Hospital, Inc. Series 1998 Bond Issue
 (hhh) Defeased by 7/1/98 Alamance Regional Medical Center, Inc. Series 1998 Bond Issue
 (iii) Defeased by 9/1/98 Halifax Regional Medical Center Series 1998 Bond Issue
 (jjj) Defeased by 11/1/98 Mission-St. Joseph's Health System Series 1998 Bond Issues
 (kkk) Defeased by 7/1/98 United Church Retirement Homes Series 1998 Bond Issue
 (lll) Defeased by 12/16/99 The McDowell Hospital, Inc., Series 1999 Bond Issue
 (mmm) Defeased in part by 6/15/2000 North Carolina Baptist Hospitals Project Series 2000 Bond Issue
 (nnn) Defeased by July 2, 2001 Carol Woods Project Bond Issue
 (ooo) Defeased by August 1, 2001 The Presbyterian Home at Charlotte, Inc. Issue
 (ppp) Defeased by 2003 FirstHealth of the Carolinas Bond Issue
 (qqq) Defeased by 2002 WestCare Bond Issue
 (rrr) Defeased by 2002 Southminster, Inc. Bond Issue
 (sss) Defeased by 2002 ACTS Bond Issue
 (ttt) Defeased by 2002 NorthEast Medical Bond Issue
 (uuu) Defeased in part by 2003 Gaston Healthcare Bond Issue
 (vvv) Defeased by July 1, 2003 Novant Health Bond Issue
 (www) Defeased by October 1, 2003 Mission-St. Joseph's Health System Bond Issue
 (xxx) Defeased by February 1, 2004 Penick Village Bond Issue
 (yyy) Defeased in part by November 1, 2003 The Forest at Duke Bond Issue
 (zzz) Defeased by October 16, 2003 Friends Home Bond Issue
 (aaaa) Defeased March 15, 2004 Cypress Glen Bond Issue
 (bbbb) Defeased in part by December 1, 2003 Well Spring bond Issue
 (cccc) Defeased in part by March 1, 2004 Deerfield Episcopal Retirement Community Bond Issue
 (dddd) Defeased by July 15, 2003 Givens Estates Bond Issue
 (eeee) Defeased by reissuance of debt January 13, 2005
 (ffff) Defeased in part by October 2002 NC Baptist Bond issue
 (gggg) Defeased by June 15, 2005 Morehead Memorial Hospital Bond Issue
 (hhhh) Defeased by October 19, 2004 Moses Cone Bond Issue
 (iiii) Defeased in part by May 4, 2005 Presbyterian Home Bond Issue
 (jjjj) Defeased in part by May 19, 2005 Duke University Health System Bond Issue

- (kkkk) Defeased by November 7, 2004 Carolina Meadows Bond Issue
- (llll) Defeased in part by April 21, 2005 United Church Bond Issue
- (mmmm) Defeased by June 9, 2005 Blue Ridge Health System Bond Issue
- (nnnn) Defeased by February 16, 2005 United Methodist Retirement Homes Bond Issue
- (oooo) Defeased by July 15, 2004 Cleveland County Healthcare System Bond Issue

REVENUE BOND AND NOTE ISSUES

July 1, 2004 - June 30, 2005

Cleveland County Health Care System-\$29,475,000

On July 15, 2004 the Commission reissued, for tax purposes, its \$29,475,000 Variable Rate Health Care Facilities Revenue Bonds (Cleveland County Health Care System) Series 2001 originally dated as of May 1, 2001. Concurrent with the remarketing of the Series 2001 Bonds on July 15, 2004, the original Trust Agreement was amended and to such an extent that it constituted a reissuance of debt under the Federal Tax Code and Regulations. The Series 2001 Bonds were called for mandatory tender on July 15, 2004. Banc of America Securities, LLC placed the bonds with holders who consented to the amendment.

The amendment to the Original Trust Agreement added three new Interest Rate Modes not contained in the Original Trust Agreement: the Daily Rate Period, the Auction Interest Rate Period and the Long Term Rate Period. The Series 2001 Bonds were converted to bear interest at the Auction Rate.

Payment of the principal of and interest on the Series 2001 Bonds when due is insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation, simultaneously with the delivery of the Series 2001 Bonds, on July 15, 2004.

Fitch Ratings and Standard Poor's Rating Services assigned their underlying ratings of AAA and AAA to the Series 2001 Bonds based upon the issuance of the financial guaranty issuance policy by Ambac Assurance. In addition Fitch and Standard and Poor's assigned their underlying ratings to the Series 2001 Bonds of A+ and A, based on the credit worthiness of Cleveland County Health Care System.

Deutsche Bank and Trust Company Americas serves as auction agent and Banc of America Securities LLC, Citigroup Global Market, Inc. and Wachovia Bank, National Association served as initial broker/dealers for the transaction. Helms, Mulliss, & Wicker, PLLC served as bond counsel.

Stanly Memorial Hospital-\$5,000,000

On July 16, 2004 the Commission authorized the execution of a Master Lease and Sublease Agreement, dated as of July 1, 2004, among GE Capital Public Finance, Inc., as lessor, the Commission, as lessee, and Stanly Memorial Hospital, as sub-lessee. Pursuant to the Agreement, the Commission will lease medical, office and information technology equipment from GE and sublease the Equipment to the Corporation. GE, on behalf of the Commission, will provide the proceeds of the lease to the Corporation for the purpose of paying or reimbursing the Corporation for paying the cost of acquiring and installing the equipment. The Equipment will be utilized at Stanly Memorial Hospital and acquired prior to December 31, 2007.

McGuire Woods served as bond counsel for the transaction.

NorthEast Medical Center - \$30,000,000

On August 5, 2004 the Commission issued its \$30,000,000 North Carolina Medical Care Commission Hospital Revenue Bonds (NorthEast Medical Center) Series 2004 dated the date of delivery, August 5, 2004.

The proceeds of the Series 2004 Bonds are being used to (a) pay, or reimburse the Corporation for paying, a portion of the cost of the acquisition, construction and installation of the Project and (b) pay certain expenses incurred in connection with the issuance of the Series 2004 Bonds.

The Project consists of (i) acquiring and installing a new PET scanner to be located in renovated space in the existing Outpatient Imaging Center, (ii) acquiring, constructing and equipping an approximately 800-space parking garage to be located on the main campus of the Medical Center, (iii) acquiring, constructing and equipping a new elevator within the existing Clinical Services Building, (iv) acquiring, constructing and equipping a new approximately 8,000 square foot neonatal intensive care unit to be located in the Mariam Cannon Hayes Family Center and (v) acquiring and installing other routine health care equipment.

Cabarrus Memorial Hospital, doing business as NorthEast Medical Center (“NorthEast”), is a nonprofit health care organization operating a regional medical center in Concord, Cabarrus County, North Carolina (the “Medical Center”), and is exempt from federal income taxation under Section 501 (a) of the Internal Revenue Code of 1986, as amended as an organization described in Section 501(c)(3) of the Code. NorthEast is currently the sole Member of the Obligated Group under the Master Indenture.

The Medical Center’s history dates back to the mid-1930’s when Charles A. Cannon and his associate George A. Batte, Jr., led an effort to pursue more accessible and full-service health care for textile workers that Cannon Mills had brought to Cabarrus County. In 1935, the General Assembly of North Carolina enacted legislation enabling Cabarrus County to establish a public hospital. Cabarrus County Hospital opened in 1937 with 46 beds and 10 bassinets. Over the past 67 years, NorthEast has evolved from a small, county –owned public hospital into a regional medical center focusing on patient care, education, and research.

In 1990, Cabarrus Memorial Hospital changed its organizational structure to operate as a private nonprofit organization pursuant to Chapter 982 of the 1989 Session Laws enacted by the North Carolina General Assembly. The 1989 Act authorized Cabarrus Memorial Hospital to operate the Medical Center in the same manner as a private nonprofit corporation operating an acute care hospital in the State of North Carolina without the limitations and restrictions applicable to public hospitals under the laws of the State. In 1997, Cabarrus Memorial Hospital began doing business as NorthEast Medical Center to more accurately reflect its position in the northeast quadrant of the Charlotte, North Carolina metropolitan area.

Today, NorthEast owns and operates the Medical Center and owns and operates various nonprofit and for-profit subsidiaries that support the delivery of health care services. NorthEast and its subsidiaries comprise an extensive inpatient and outpatient network that services the residents of five counties through 457 acute care beds, 27 clinics and a comprehensive mix of outpatient services. Approximately 290 physicians are members of the active medical staff, and NorthEast and its subsidiaries employ approximately 3,075 full-time equivalent employees.

The \$10,995,000 in Serial Bonds mature in the years 2005 through 2020 and bear interest rates ranging from 2.00% to 4.50%. The \$4,125,000 5.00% Term Bonds due November 1, 2024 yield 5.297%. The \$6,495,000 5.25% Term Bonds due November 1, 2029 yield 5.27% and the \$8,415,000 5.125% Term Bonds due November 1, 2034 yield 5.29%.

First Citizens Bank and Trust Company serves as bond trustee. Robinson, Bradshaw, & Hinson, PA served as bond counsel. Helms, Mulliss, & Wicker, PLLC served as underwriters counsel. The Bonds are rated Aa3 by Moody's and AA- by Standard and Poor's based on the credit worthiness of NorthEast Medical Center. Citigroup served as senior manager for the issue with SunTrust Capital Markets as co-manager.

Rowan Regional Medical Center-\$87,125,000

On August 18, 2004 the Commission issued its \$87,125,000 North Carolina Medical Care Commission FHA Insured Mortgage Revenue Bonds (Rowan Regional Medical Center Project) Series 2004 dated the date of delivery, August 18, 2004. The proceeds of the issue are being used, together with other available funds, (1) to repay a loan from the North Carolina Medical Care Commission Hospital Revenue Bonds (Pooled Equipment Financing Project) Series 1985 and (2) repay a loan from the North Carolina Medical Care Commission Variable Rate Hospital Revenue Bonds (Pooled Financing Project) Series 1996A and (3) fund a project consisting of

- (1) the construction of a new emergency department and three additional floors to provide patient accommodation space and the Women and Children's Health Facility; and
- (2) the renovation of patient accommodation space and additions to the Cardiac Care Unit and the Intensive Care Unit.

The proceeds are also being used to (4) pay a portion of the interest accruing on the Bonds during construction of the project and (5) fund a debt service reserve fund for the Bonds and (6) pay certain costs incurred in connection with the issuance of the bonds.

Rowan Regional Medical Center, Inc. (the "Corporation") is a North Carolina nonprofit corporation established in 1933 to operate and maintain a hospital facility in the City of Salisbury, North Carolina. The Corporation is exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code of 1986. The Corporation's sole member is Rowan Health Services Corporation, which is a North Carolina nonprofit corporation exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code of 1986.

The Corporation began operations in 1935 as Rowan Memorial Hospital with contributions from the local community to establish a small, four-story structure of 68 beds. Since that date the structure has had many additions, both for inpatient beds and outpatient beds. Beds were added in 1949, 1952 and 1966 and other major construction projects occurred in 1981 and 1995 to bring the Corporation's current bed complement to 308 beds comprised of 263 general acute beds, 20 psychiatry beds, 15 substance abuse beds and 10 rehabilitation beds. There are currently 188-staffed beds.

The Corporation's facilities are comprised of the hospital located on the main hospital campus, an ambulatory surgery center and diagnostic medical mall located five miles from the

main hospital campus in Salisbury, and a medical mall in southern Rowan County approximately 12 miles from the main hospital campus. The main hospital campus is located on approximately 8 acres.

The Corporation's principal programs include:

- Cardiology
- Neurology
- Neurosurgery
- Obstetrics
- Oncology
- Ophthalmology
- Orthopedics
- Pediatrics
- Plastic Surgery
- Psychiatry
- Rehabilitation
- Substance Abuse
- Women's Health
- Ambulatory Surgery
- Cardiac Catherization
- Cardiac Rehabilitation
- Diagnostics (including CT, MRI, nuclear medicine, ultrasound, vascular mammography, PET)
- Lithotripsy
- Pain Management
- Radiation Therapy
- Sleep Medicine
- Home Health
- Hospice
- Wellness Center

The Bonds are payable from and secured by a pledge and assignment to the Trustee of the Loan Agreement, the Series 2004 Note and the Mortgage (including the insurance thereof by FHA), and the rights to receive payments there under (excluding certain fees and expenses and certain indemnity payments). Under the Loan Agreement, the Corporation is required to make loan payments in amounts, which will be sufficient to pay the principal, premium, if any, and interest on the Bonds and to pay certain administrative costs of the Commission.

The scheduled payment of principal and interest on the Bonds when due is guaranteed under a municipal bond insurance policy issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc. The policy does not guaranty the payment of Bonds upon redemption or purchase prior to maturity.

The Corporation's obligation to repay the loan of the proceeds of the Bonds is evidenced by the Series 2004 Note and is secured by the Mortgage. The Trustee, as beneficiary under the Mortgage, has agreed to undertake certain activities with respect to the Series 2004 Note and the Mortgage, including: (i) collection of all payments made by the Corporation under the Series 2004 Note and the Mortgage, (ii) depositing the payments of principal and interest made under the Series 2004 Note and Mortgage, including any prepayment premiums, after deducting there from its serving fee, any mortgage advances and any late payment charges; and (iii) application

of all amounts collected under the Mortgage in accordance therewith. Pursuant to the Indenture, the Trustee, as mortgagee, has reserved the right to appoint a firm which is an FHA- approved mortgage servicer (“Mortgage Servicer”) to collect all payments required to be made by the Corporation under the Series 2004 Note and to perform the duties assumed by the Commission as described in this paragraph. The Trustee, as mortgagee, has appointed Merrill Lynch Lending, Inc. to act as Mortgage Servicer.

Mortgage Insurance Benefits are generally payable in cash or debentures, or a combination of both, as determined by FHA at or prior to the time of payment. However, pursuant to the Cash Lock Agreement, FHA has agreed to pay Mortgage Insurance Benefits in the form of cash from FHA in the event of a default under the Mortgage.

The Mortgage will be issued under Section 242 of Title II of the National Housing Act and the Regulations issued there under Title 24 of the Code of Federal Regulations.

It is anticipated that the Mortgage Insurance benefits, together with the funds held pursuant to the Indenture, will be sufficient to pay the principal of and interest on the Bonds. The Mortgage Insurance, however, does not constitute a guaranty or insurance of the payment of the principal of and interest on the Bonds, and there are several respects in which the amount of benefits payable under the Mortgage Insurance, together with the moneys deposited in the Reserve Account within the Debt Service Reserve Fund, the Debt Service Fund and the Project Fund from the proceeds of the Bonds, may not be sufficient to pay the principal of and interest on all Bonds Outstanding in the event of a default under the Series 2004 Note or the Mortgage. The maximum amount of benefits under the Mortgage Insurance will not exceed 99% of the unpaid principal balance of the Series 2004 Note at the time of a default. Also, since the interest on the proceeds of the Mortgage Insurance is payable only from the date of default on the Mortgage, the Mortgage Insurance Benefits will not include interest accruing on the Series 2004 Note for the month preceding the date of default.

The Bonds are rated Aaa by Moody’s Investors Service and AAA by Standard & Poor’s Ratings Services based on the issuance of a municipal bond insurance policy by Financial Security Assurance, Inc. The \$26,865,000 in Serial Bonds mature in the years 2007 through 2018 and carry stated interest rates ranging from 3.00% to 5.25% with yields ranging from 2.59% to 4.39%. The \$19,875,000 4.75% Term Bonds due September 1, 2024 yield 4.95%. The \$40,385,000 5.00% Term Bonds due September 1, 2033 yield 5.09%. Banc of America Securities, LLC served as senior manager for the issue with BB&T Capital Markets and Wachovia Bank National Association as co-managers. Womble, Carlyle, Sandridge, & Rice, PLLC served as bond counsel. Bode, Call, & Stroupe, LLP served as counsel to the underwriters. Bank of America, NA served as mortgage servicer for the Note. The Bank of New York serves as trustee for the issue.

Cypress Glen Retirement Community- \$15,460,000 (\$12,960,000 Series 2004C and \$2,500,000 Series 2004D)

On August 19, 2004 the Commission issued its \$15,460,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Reserve Bonds (Cypress Glen Retirement Community) consisting of \$12,960,000 Series 2004C (Fixed Rate Bonds) dated August 1, 2004 and \$2,500,000 Series 2004D (Adjustable Rate Bonds) dated August 1, 2004.

The proceeds of the Bonds are being lent to the Corporation for the purpose of providing funds, together with other available funds, to (a) pay the costs of the Project, (b) pay a portion of the

interest accruing on the Bonds through January 31, 2006, (c) fund Reserve Fund No. 1 and (d) pay certain expenses incurred in connection with the issuance of the Bonds. The Project consists of (a) the acquisition, construction and equipping of improvements at the Facility, including 54 independent living apartment units, and (b) certain renovations to the existing Facility, including expansion to dining areas, construction of a wellness area, and renovations to the front entry and certain administrative areas, all becoming part of the fee-for-service continuing care retirement community located in the City of Greenville in Pitt County, North Carolina, owned and operated by the Corporation.

Cypress Glen Retirement Community (“Cypress Glen” or the “Facility”) is a church related fee-for-service continuing care retirement community located in the City of Greenville in Pitt County, North Carolina. The Facility is owned and operated by Cypress Glen Retirement Community (the “Corporation”), a private nonprofit North Carolina corporation that is exempt from income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended, as an entity described in Section 501(c)(3) of the Code. The planning for Cypress Glen began in 1980, when the North Carolina Annual Conference of the United Methodist Church voted to construct a retirement community in Greenville through its related corporation, The United Methodist Retirement Homes, Incorporated (“UMRH”). In 1983, UMRH acquired the site for the Facility, consisting of approximately 91 acres of land bordering the Tar River. Construction began in 1985 and was completed in 1987. UMRH owned and operated the Facility until December 1996, when it conveyed the Facility to the Corporation. UMRH is a North Carolina private nonprofit North Carolina Corporation that currently owns and operates two other retirement facilities in North Carolina. The Corporation was created in 1996 in order to assume the ownership and operation of the Facility and to permit the permanent financing of an expansion program at the Facility to proceed without being adversely affected by interim financing problems and construction delays UMRH was experiencing with respect to construction at one of its other facilities. The conveyance of the Facility to the Corporation occurred simultaneously with the issuance of revenue bonds by the North Carolina Medical Care Commission to finance the 1996 Expansion Program. The 1996 Expansion Program consisted of (1) a 60 bed health care center, containing 30 assisted living beds and 30 nursing care beds, which opened in July 1996; (2) 16 residential cottages, which were completed in July 2000; and (3) an apartment building containing 30 independent living unites, which was completed and opened in April 1998.

The Bonds are not rated. The \$5,000,000 3.80% 2004C Intermediate Term Bonds due October 1, 2007 were priced at par. The 2004C \$7,960,000 6.00% Term Bonds due October 1, 2033 were priced at 98.75% to yield 6.092%. The 2004 D Bonds (Adjustable Rate) due October 1, 2034 in the amount of \$2,500,000 have an initial interest rate of 4.650%. The 2004 D (Adjustable Rate) Bonds have an interest reset date of October 1, 2009 at which time the rate will be reset.

BB&T Capital Markets served as underwriters for both series of Bonds. Robinson, Bradshaw, and Hinson, PA served as bond counsel. Hunton & Williams, LLP served as counsel to the underwriters. First Citizens Bank & Trust Company serves as bond trustee. Dixon Hughes, PLLC served as feasibility consultant.

Moses Cone Health System-\$47,500,000 Series 2004A and \$47,500,000 Series 2004B

On October 19, 2004 the Commission issued its \$47,500,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Moses Cone Health System) Series 2004A and its \$47,500,000 North Carolina Medical Care Commission Revenue Bonds (Moses Cone Health

System) Series 2004B. The Series 2004A and 2004B bonds are dated October 19, 2004, the date of delivery.

Series 2004A

The proceeds of the Bonds Series 2004A are being used, together with other available funds, to (i) refund the outstanding North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Wesley Long Community Hospital Project), Series 1993, of which \$26,425,000 principal amount is outstanding on the date of the transaction, (ii) pay, or reimburse the Parent Corporation and the Operating Corporation for paying the cost of the Project and (iii) pay certain expenses incurred in connection with the authorization and issuance of the Bonds by the Commission.

Series 2004B

The proceeds of the Series 2004B Bonds will be used, together with other available funds, to (i) pay, or reimburse the Parent Corporation and the Operating Corporation for paying, the cost of the Project and (ii) pay certain expenses incurred in connection with the authorization and issuance of the Bonds by the Commission.

The Project

The Parent Corporation and the Operating Corporation expect to use a portion of the proceeds of the 2004B Bonds and a portion of the proceeds from the 2004A Bonds, together with certain other funds available for such purposes, to finance:

- (i) the construction, equipping and furnishing of a new nursing facility consisting of 82 nursing facility beds and 10 adult home care beds to be located on the main campus of Annie Penn Hospital,
- (ii) the construction of a 1,100 space parking deck to be located on the campus of Cone Hospital and be used by employees and volunteers at Cone Hospital,
- (iii) the renovation and equipping of existing space at, and the construction and equipping of an addition to, Cone Hospital for its Heart and Vascular Center, including, (A) the relocation of 16 cardiac care unit beds and 12 transitional care units beds to such addition, (B) the development of a cardiac short stay unit and the relocation of non-invasive cardiology services, (C) the renovation of the cardiac catherization service and (D) the construction of an educational center with classrooms and administrative offices in such addition,
- (iv) the renovation and equipping of Wesley Long Hospital, including (A) the relocation of 46 acute care beds from Wesley Long Hospital to Cone Hospital, (B) the elimination of 11 acute care beds and six inpatient rehabilitation beds, (C) the renovation of the cardiac catherization laboratory and improvements to the pre-procedures and post-procedures cardiac catherization service and (D) the construction of an educational center with classrooms and administrative office in such addition,
- (v) the acquisition of medical and office equipment and the installation thereof at the health care facilities operated by the Operating Corporation during the fiscal years ending September 30, 2004 and 2005

The Series 2004A Bonds are rated AA/A-1+ by Standard & Poor's based on the credit worthiness of the Obligated Group. The Series 2004A Bonds initially bear interest at the weekly

rate. Morgan Stanly serves as remarketing agent for the Bonds. State Street Bank and Trust Company serves as custodian under the Liquidity agreement, whereby the Obligated Group provides its own liquidity.

The Series 2004A Bonds mature October 1, 2035 and are subject to sinking fund redemption in the years 2016-2035. McGuire Woods, LLP served as bond counsel. Bode, Call, & Stroupe served as counsel to the underwriters. Morgan Stanly served as underwriter for the issue. Morgan Stanly serves as Broker/Dealer for the issue. The Bank of New York serves as bond trustee.

The Series 2004B Bonds will initially bear interest at the Auction Rate Securities for a seven-day auction Period until changed if ever to another auction period or to a Daily Rate, a Weekly Rate, a Long Term Rate or a commercial paper rate. The Bonds are rated Aaa by Moody's and AAA by Standard & Poor's based on the issuance of a municipal bond insurance policy by Financial Security Assurance, Inc.

The Arc of North Carolina \$35,920,000 (\$34, 650,000 Series 2004A and \$1,270,000 Taxable Series 2004B)

On October 21, 2004 the Commission issued its \$35,920,000 North Carolina Medical Care Commission Health Care Housing Revenue Bonds (The Arc of North Carolina Projects) Series 2004 consisting of \$34,650,000 Series 2004A and \$1,270,000 Taxable Series 2004B dated as of the date of issuance.

The proceeds of the Series 2004A Bonds are being used by The Arc of North Carolina (the "Corporation"), together with other available funds, including reserve funds related to the HUD loans released in connection with the refinancing, to (a) refinance 179 existing mortgage loans originally made by the United States Department of Housing & Urban Development ("HUD") to the Corporations to finance the construction of their respective Facilities, (b) finance or refinance renovations and enhancements, including, without limitation, the installation of current-code fire sprinkler systems throughout the Facilities, and routine capital expenditures for the Facilities (the "2004 Project"), (c) fund a debt service reserve fund for the Series 2004 Bonds, (d) fund a replacement reserve fund, (e) pay a portion of the expenses incurred in connection with the issuance of the Series 2004 Bonds and (f) make an initial deposit to the Residual Receipts Account of the Surplus Fund. The proceeds of the Series 2004B Bonds will be used to pay costs of issuance of the Series 2004 Bonds in excess of 2% of the proceeds of the Series 2004 Bonds.

All net proceeds of the Series 2004 Bonds, after refinancing existing mortgages, funding reserves and paying certain financing costs, will be reinvested in the Facilities, and all debt service savings realized as a result of the refinancing will be used by the Corporations for enhanced program services for the residents, capital improvements or other purpose within the guidelines of HUD and the Corporations' mission.

The renovations and enhancements to be paid for with proceeds of the Series 2004 Bond will occur at 174 of the 179 Facilities and will include installation of fire sprinkler systems and vinyl siding at many of the Facilities, as well as replacement of roofs, carpet and linoleum at numerous Facilities. The average cost per Facility of the renovations and enhancements will be approximately \$21,800.

The Corporations are each affiliated with The Arc of North Carolina, Inc., a North Carolina not-for-profit corporation (“The Arc”). The Arc of North Carolina, Inc., was organized as a not-for-profit North Carolina corporation in 1954. In the late 1970’s, The Arc embarked on a mission to develop and own housing funded through the Section 202 Housing Program of the United States Department of Housing and Urban Development. Since that time, the organization has developed 226 group homes and apartment properties owned by a separate not-for-profit North Carolina corporation the name of which begins with the prefix “Arc/HDS”.

All of the 179 Facilities are managed by The Arc. In July 2000, HUD recognized 111 of the Facilities managed by The Arc as among the top 1,000 best managed HUD projects in the nation.

Each of the 179 Corporations (1) is a not-for-profit, nonstock corporation organized and existing under the law of the State of North Carolina, (2) owns and operates one of the Facilities in the location shown below, each constituting a facility for the mentally and physically handicapped and (3) is related to The Arc.

Under the organizational documents of each of the 179 Corporations, the directors of The Arc serve as the members of each of the 179 Corporations. The members of the Corporations, in turn, elect the directors and officers of the Corporations, and do so in order that the same persons serve as the directors of each of the 179 Corporations and the same persons serve as officers of each of the 179 Corporations.

The Facilities include 167 group homes consisting of a five-bedroom or six-bedroom configuration, and 12 multifamily apartment projects consisting of eight or nine units located throughout 87 counties in North Carolina. The Facilities were developed and permanently financed under Section 202/811 of the National Housing Act, as amended. The program, administered by HUD, was designed to provide construction funds for permanent residential care facilities and ongoing rent subsidy payments to very low-income persons who are mentally or physically disabled, pursuant to Section 8 of the National Housing Act, as amended. The Facilities serve the needs of residents who are very low-income and are developmentally and/or physically handicapped, who are able to function independently, and who welcome the security and the freedom from being responsible for maintenance and utility payments (except for phone and cable); transportation, housekeeping, activities, and meals are provided at each Facility. Laundry facilities are provided on the ground floor of each of the group homes and apartment projects for residents or their aides to perform laundry tasks. The Facilities, although well maintained, are in need of renovation, with the primary item being the installation of current-code fire sprinkler systems throughout the buildings. No expansion of the Facilities is contemplated at this time.

The Facilities participate in the Section 8 Housing Assistance Payments program from HUD, whereby the eligible resident pays a portion of their income towards their rent; the remaining portion of the rent is subsidized by HUD. The original HAP Contract for each property established a term of 20 years. At the conclusion of the initial term, the HAP Contract may be extended by the Corporation and HUD.

HUD has not guaranteed payment of any of the Series 2004 Bonds. HUD’s obligation to make payments under the HAP Contracts is conditioned upon compliance by the Corporations with existing and future HUD regulations. The current HAP contracts do not extend for the life of the Series 2004 Bonds, and their renewal therefore cannot be certain and may require compliance with additional restrictions. Payments by HUD are subject to the requirement of

continued appropriation by Congress, which may alter or eliminate programs in a manner that could adversely affect the ability of the Corporations to make payments on their respective series of the Series 2004 Bonds. While management of the Facilities believe that operating revenues, including HAP Payments, will provide sufficient funds to cover both operating expenses and maintenance of the debt service coverage ratios on the Series 2004 Bonds, there can be no guarantee that such amounts will in fact provide sufficient funds for such purposes.

The \$34,650,000 Series 2004A Bonds consists of Term Bonds due as following; (1) \$4,690,000 4.65% Term Bonds priced at par are due October 1, 2014, (2) \$10,005,000 5.50% Term Bonds priced at par are due October 1, 2024, (3) \$19,955,000 5.00% Term Bonds priced at par are due October 1, 2034 and (4) \$1,270,000 Series 2004B Taxable Bonds priced at par are due October 1, 2007 at 5.00%. The bonds are rated Baa by Moody's.

Hunton & Williams, LLP served as bond counsel for both Series A & B Bonds. McGuire Woods, LLP served as counsel to the underwriters. The Bank of New York serves as bond trustee. Newman & Associates, a division of GMAC Commercial Holding Capital Market Group, served as underwriter for the bonds.

Carolina Meadows-\$20,110,000

On December 7, 2004 the Commission issued its \$20,110,000 North Carolina Medical Care Commission Health Care Facilities Weekly Adjustable Revenue Bonds, Series 2004 (Carolina Meadows, Inc. Project) dated December 7, 2004, the date of delivery.

Carolina Meadows, Inc. (the "Corporation") is a nonstock, North Carolina non-profit corporation created in 1983 to provide housing, health care and related facilities and service to the elderly. By Letter dated October 23, 1985, the Internal Revenue Service determined that the Corporation was a charitable organization described in Section 501(c)(3) of the Internal Revenue Code, as amended.

The Corporation operates a continuing care retirement facility known as Carolina Meadows (the "Facility"), which opened in 1985, located in northern Chatham County approximately three miles south of Chapel Hill, North Carolina. The Facility currently serves over 650 residents on its 170 acre campus, and consists of 391 independent living units, 40 residential plus (assisted living) apartments (with 44 beds), a health center with a licensed capacity of 90 beds (20 adult care home beds, 70 nursing care beds) and a health clinic, a club center, a nine hole executive golf course and other recreational and activity facilities.

The Corporation is using the proceeds from the sale of the 2004 Bonds, together with other available funds, to (1) refinance the outstanding balance of the Commission's Variable Rate Demand Revenue Bonds (Carolina Meadows, Inc. Project), Series 1998, the proceeds of which were used by the Corporation to refinance prior renovations and improvements to the Facility, (2) finance an expansion, reconfiguration and modernization of the health care and assisted living segments of the Facility including re-licensing the existing residential plus apartments as an adult care home (personal care), constructing an addition to add 24 apartments (36 beds) and 15 dementia beds, each licensed as adult care home personal care beds, convert certain existing adult care home (personal care) beds in the health center to nursing care beds, and expand the club center and common areas and undertake a major

modernization and upgrade of certain older sections of the Facility, and (3) pay certain expenses incurred in connection with the issuance of the 2004 Bonds, including certain fees of the Initial Credit Facility Issuer.

The bonds are rated Aa3/VMIG1 by Moody's Investors Service based on the letter of credit provided by allied Irish Bank, P.L.C. New York Branch. The Bank of New York Trust NA serves as bond trustee. The bonds bear interest at the weekly rate. The bonds are subject to mandatory sinking fund redemption in the years 2006-2034. Ziegler Capital Markets Group served as underwriter for the issue and serves as remarketing agent for the Bonds. Hunton & Williams served as bond counsel and Troutman Saunders, LLP served as counsel to the underwriters.

Novant Health-\$135,000,000

On December 8, 2004 the Commission issued its \$135,000,000 North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Bond (Novant Health Obligated Group Series 2004) consisting of \$110,000,000 Series 2004A and \$25,000,000 Series 2004B dated as of December 8, 2004. Novant is using proceeds of the Bonds to pay or reimburse itself for paying a portion of the cost of the project, which consists of (1) a center for women's health services at Presbyterian Hospital in Charlotte, North Carolina, including (a) the renovation and equipping of approximately 156,750 square feet of space, (2) the modernization of medical/surgical rooms at Presbyterian Hospital, (3) approximately 110,000 square feet of improvements at Forsyth Medical Center in Winston-Salem, North Carolina, including the construction, renovation and expansion of the Intensive Care Unit and the Emergency Department, and (4) the acquisition of capital equipment, including telecommunications, information technology and software. In addition, Novant is using proceeds of the Bonds to Finance all or portion of the expenses incurred in connection with the issuance of the Bonds.

Novant Health, Inc. ("Novant") is a North Carolina nonprofit corporation with dual headquarters in Winston-Salem and Charlotte, North Carolina. Novant was created on July 1, 1997, when Carolina Medicorp, Inc. merged with and into Presbyterian Health Services Corporation, which then changed its name to Novant Health, Inc.

Novant and its affiliates operate an integrated health care delivery system that serves a total market of approximately three million people in 22 contiguous counties extending from the North Carolina-Virginia border to northern South Carolina. To facilitate governance and management of the Health System, Novant utilizes a regional holding company structure that divides its total market into two principal market areas: the Triad Region, which consists of Forsyth County, North Carolina and six contiguous counties; and the Southern Piedmont Region, which consists of Mecklenburg County, North Carolina and 14 contiguous counties.

The Health System provides a full continuum of health services. The Health System consists of seven acute care hospitals, including two flagship tertiary care hospitals: Forsyth Medical Center and Presbyterian Hospital. The Health System's other acute care hospitals are Medical Park Hospital, Thomasville Medical Center, Presbyterian Hospital Matthews, Presbyterian Orthopedic Hospital and Presbyterian Hospital Huntersville, a new hospital that opened in November 2004. Novant manages another acute care hospital: Wilkes Regional Medical Center. In addition to acute inpatient care, the Health System also provides long-term care, behavioral health rehabilitation, home health care and outpatient services such as physical, occupational and speech therapies, all imaging modalities and outpatient surgery. The Health

System also includes an employed physician group, which, as of September 30, 2004, consisted of 440 physicians and 140 mid-level providers.

Novant and its two affiliates that operate tertiary care hospitals, Forsyth Memorial Hospital, Inc., and The Presbyterian Hospital, both of which are North Carolina nonprofit corporations, are the Members of the Obligated Group. The Members of the Obligated Group are jointly and severally liable for the payment of all Master Obligations issued under the Master Indenture including the Series 2004 Bonds.

The Series 2004A Bonds are subject to mandatory sinking fund redemption in the years 2025 through 2034. The Series 2004B Bonds are subject to mandatory sinking fund redemption in the years 2025 through 2034. Citigroup served as underwriter for the Series 2004A Bonds and the Series 2004B Bonds, and serves as remarketing agent for the Series 2004B Bonds. The Bonds initially bear interest at the weekly rate. The Bonds are rated AA-/F1+ by Fitch, Aa3/VMIG-1 by Moody's and AA-/A-1+ by Standard and Poor's. JP Morgan Chase Bank National Association provides the liquidity facility. The liquidity facility ensures a timely payment of the bonds are tendered for purchase but not remarketed by the remarketing agent. Sidley Austin Brown & Wood LLP served as bond counsel. Robinson Bradshaw & Hinson, PA served as counsel to the underwriters. The Bank of New York serves as bond trustee.

Fletcher Hospital (Park Ridge Hospital Project)-\$14,000,000

On January 13, 2005 the North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Park Ridge Hospital Project), Series 1998 Bonds, outstanding in the amount of \$14,000,000, Trust Agreement was amended (1) to modernize the agreement by the addition of several new interest rate modes such as the daily rate mode, the flexible rate mode, the one month mode, the six month mode, the one year mode, the multiple year mode and an auction rate mode, (2) provide added flexibility with regard to the provision of credit or liquidity enhancement and (3) provide redemption and lender provisions that reflect the current market for multi mode bonds.

The amendment was consented to by SunTrust Bank, the provider of the letter of credit securing the Bonds. The amendment constitutes a material change and a reissuance for federal tax purposes. Chapman and Cutler served as bond counsel for the transaction.

United Methodist Retirement Homes-\$20,790,000 Series 2005A AND \$24,250,000, Series 2005B

On February 16, 2005 the Commission issued its \$20,790,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project) Series 2005A dated February 1, 2005, and its \$24,250,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project) Series 2005B dated February 16, 2005.

The United Methodist Retirement Homes, Incorporated ("UMRH") or the "Corporation" is a private nonprofit North Carolina Corporation. The Corporation is exempt from federal income taxation under Section 501 (a) of the Internal Revenue Code of 1986, as amended, as an organization described in Section 501(c) (3) of the Code. The Corporation owns and operates two continuing care retirement communities located in North Carolina: (1) Wesley Pines Retirement Community, located in Lumberton, and (2) Croasdaile Village Retirement Community, located in Durham. UMRH also manages two retirement communities in North

Carolina: Quail Haven Village, a rental community located in Pinehurst, and Cypress Glen Retirement Community located in Greenville.

By the issuance of 2005A Bonds and 2005B Bonds, the Commission is providing funds (1) to construct the Project and (2) to refund debt previously issued to finance the original construction of Croasdaile Village. In particular, proceeds of the 2005A Bonds will be used to pay costs of the Project, while proceeds for the 2005B Bonds will be used both to pay costs of the Project and to refund in their entirety the Commission's Variable Rate Demand Retirement Facilities Revenue Bonds (The United Methodist Retirement Homes Retirement 2000 Project), Series A, issued in 2000, with a current outstanding principal amount of \$8,480,000. The 2000 Refunded Bonds are secured by a letter of credit. The 2000 Refunded Bonds were issued pursuant to arrangements under which Duke University Health System, Inc., guaranteed payment of the reimbursement obligations for drawings under the letter of credit securing the 2000 Refunded Bonds, with the Corporation's obligation to repay DUHS subject to certain limitations intended to enhance the security for Obligations under the Original Master Indenture. The refunding of the 2000 Refunded Bonds terminated the Corporation's relationship with DUHS.

The Project consists of improvements to Croasdaile Village, including, (i) 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, (ii) 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, (iii) 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, (iv) the construction of a new, approximately 1,050 square foot library and conversion of the existing library to a resident activity room, (v) the expansion of administrative areas, (vi) the construction of a new, approximately 1,750 square foot laundry facility, and (vii) other facility and land improvements. Construction of the Project was expected to commence in February 2005 and be completed over an 18-month period, with the Project's independent living apartments and cottage units becoming available for occupancy beginning in July 2006.

The Series 2005A Bonds are not rated. The \$1,620,000 Serial Bonds maturing in 2008-2016 have stated interest rates ranging from 3.275% to 4.375% with yields ranging from 3.250% to 4.400%. The \$2,560,000 5.20% Term Bonds due October 1, 2025 were priced to yield 5.280%. The \$16,610,000 5.50% Term Bonds due October 1, 2035 were priced to yield 5.55%.

The Series 2005B Bonds are secured by an irrevocable direct pay letter of credit issued by Branch Banking & Trust Company and are rated Aa3/VMIG1 by Moody's based on the issuance of the letter of credit. The Bonds initially bear interest in the weekly mode. The Series 2005B Bonds are subject to mandatory sinking fund redemption in the years 2008-2035. Dixon Hughes, PLLC served as feasibility consultant for the bond issues. Robinson, Bradshaw, & Hinson, PA served as bond counsel and Hunton & Williams, LLP served as counsel to the underwriters. First Citizens serves as trustee for both issues.

United Church Homes and Services \$18,755,000

On April 21, 2005 the Commission issued its \$18,755,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (United Church

Homes and Services) consisting of \$13,755,000 Series 2005A (Fixed Rate) and \$5,000,000 Series 2005B (Adjustable Rate) dated as of the date of delivery, April 21, 2005.

The proceeds of the Bonds, together with other available funds, are being used to (a) refund the 1998 Bonds maturing on September 1, 2006 through 2011, inclusive, and 2024 in the aggregate principal amount of \$18,140,000 (b) fund Reserve Fund No.1 and (c) pay certain expenses incurred in connection with the issuance of the Bonds.

The 1998 Refunded Bonds consist of all of the outstanding 1998 Bonds, except for the 1998 Bonds maturing on September 1, 2005 in the principal amount of \$550,000. The 1998 Refunded Bonds are expected to be called for redemption on May 5, 2005 at a redemption price equal to 101% of the principal amount thereof plus accrued interest to the redemption date. Upon the issuance of the Bonds, the Corporation will deposit with The Bank of New York, as bond trustee for the 1998 Bonds, cash in an amount, together with other amounts on deposit with the 1998 Bond Trustee, sufficient to pay the principal and interest due on the 1998 Bonds maturing on September 1, 2005. Therefore, all of the 1998 Bonds will cease to be outstanding upon the issuance of the Bonds and the deposit of cash with the 1998 Bond Trustee.

United Church Homes and Services (the “Corporation”) is a North Carolina nonprofit corporation that was organized in 1961 for the purpose of developing and managing housing, retirement communities and programs of outreach across the geographic boundaries of the Southern Conference of The United Church of Christ. The income of the Corporation is exempt from federal and state income taxation.

The Corporation traces its origins to 1961 when the organization then known as United Church Retirement Homes, Inc. was originally chartered for the primary purpose of constructing and managing retirement communities across the geographical region of the Southern Conference of the United Church of Christ (the “Southern Conference”). The original charter also declares that the Corporation will provide services to persons who would not otherwise be able to afford them. As the result of a successful capital funds campaign conducted among the churches and individuals of the Southern Conference, a rest home with accommodations for sixty-eight persons was constructed in Newton, North Carolina and dedicated in 1971. The land and a generous portion of capital funds were contributed by Mr. and Mrs. J.W. Abernathy. Through a generous gift from Maye Morrison Abernathy, a corporate office building was constructed and dedicated in 1982. The facility, which was constructed on the site of their parents’ original farm house, is located on the campus of Abernathy Laurels.

In 1978, forty-nine acres of land near Thomasville, North Carolina were given to the Corporation through the will of Mrs. Anise Shuler. After nearly ten years of planning and fund raising, Piedmont Crossing (originally known as Piedmont Center) was constructed and dedicated on the Thomasville site in 1986.

In 1989, after considerable research, a 172-acre site was purchased in Suffolk, Virginia. Many years of planning and dedication to the effort, including the organization of Lake Prince in 1999, resulted in the construction of the continuing care retirement community now known as Lake Prince Woods, which opened in 2002.

In 1998, the Corporation sponsored its first HUD 202 affordable housing community known as Covenant Place in Chapel Hill, North Carolina. Additional HUD 202 communities followed including NOAH in 2001, Emmanuel’s Place in 2002, St. Joseph’s in 2003 and Matthew’s Place in 2004. Over 160 low-income seniors are served through this ministry.

In 2000, the Corporation purchased Centerclair, a privately owned nursing community in Lexington, North Carolina with 60 licensed nursing beds and 6 licensed assisted living beds to complement the health care center at Piedmont Crossing.

On May 25, 2004, the Corporation filed Articles of Amendment with the North Carolina Secretary of State's office changing the name of United Church Retirement Homes, Inc., to United Church Homes and Services, effective June 1, 2004.

The Bonds are not rated. The Series 2005A \$6,975,000 Serial Bonds mature in the years 2005-2014 and carry stated interest rates ranging from 3.000% to 4.625% with yields ranging from 3.000% to 4.700%. The Series 2005A \$6,780,000 Term Bond, with a stated interest rate of 5.25%, matures September 1, 2021.

The \$5,000,000 2005B Bonds (Adjustable Rate), due September 1, 2024, carry an initial interest rate of 4.30% and have an initial interest reset date of September 2, 2008.

McGuire Woods, LLP served as bond counsel for the transaction. Robinson, Bradshaw, and Hinson, PA served as counsel to the underwriters. BB&T Capital Markets served as underwriters for the issue. The Bank of New York Trust Company, NA serves as bond trustee.

The Presbyterian Homes, Inc.-\$17,555,000

On May 4, 2005 the Commission issued its \$17,355,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (The Presbyterian Homes Obligated Group) Series 2005, consisting of \$13,465,000 Series 2005A (Fixed Rate Bonds) and \$4,090,000 Series 2005B (Adjustable Rate Reset Bonds) dated May 1, 2005.

The 2005A Bonds and the 2005B Bonds were issued by the North Carolina Medical Care Commission pursuant to a Trust Agreement, dated as of May 1, 2005 between the Commission and First Citizens Bank & Trust Company, Raleigh, North Carolina, as trustee, for the purpose of providing funds to the Presbyterian Homes, Inc., and Glenaire, Inc., to be used, together with other available funds, to (a) refund certain outstanding bonds of the Commission issued to finance or refinance projects for the Parent and Glenaire, (b) fund a Debt Service Reserve Fund for the Bonds and (c) pay certain expenses incurred in connection with the issuance of the Bonds.

A portion of the proceeds of the Bonds is being used to refund the Refunded Bonds. The 2001 Bonds are being refunded in order to extend the debt represented thereby because the sale of units at the River Landing at Sandy Ridge Retirement Community has occurred at a slower pace than was forecasted at the time of sale of the 2001 Bonds and, therefore, the receipt of entrance fees for those units, which were expected to retire the Refunded 2001 Bonds on or prior to October 1, 2006, has been slower than expected. The slower than expected sales of the units is, in the opinion of management of the Obligated Group, attributable primarily to a slowdown in the economy of the primary market area, particularly the local real estate market. The particular 1996 Bonds are being refunded in order to achieve debt service savings. The Refunded Bonds are being redeemed on or about May 18, 2005.

The Presbyterian Homes, Inc., was incorporated as a North Carolina nonprofit corporation in December 1946, and began operating a nursing home in January 1952 in High

Point, North Carolina. In August 1984, the Parent's charter was amended to create a corporate umbrella to oversee the development and operation of continuing care retirement communities ("CCRCs") under the management of the Parent and sponsored by the Synod of the Mid-Atlantic of the Presbyterian Church (USA).

In September 1984, an unincorporated operating division of the Parent was formed to operate The Presbyterian Home of High Point, a CCRC located in High Point, North Carolina. The operating division filed an assumed name certificate, adopting the same name as the facility.

Scotia Village, an unincorporated operating division of the Parent, traces its origin to 1981 when it grew out of meetings among Presbyterian ministers and community leaders to discuss the establishment of a CCRC in Laurinburg, North Carolina. The group sought the expertise of the Parent and became an operating division of the Parent in August 1984, which operating division was charged with the responsibility of constructing and operating a new CCRC to be known as "Scotia Village." The operating division filed an assumed name certificate, adopting the same name as the facility, in July 1986 and began operation in December 1988.

Glenaire, Inc., an affiliate of the Parent, traces its origin to 1981 when a group of Presbyterians in the First Presbyterian Church in Raleigh, North Carolina, saw the need to provide a CCRC in the Wake County area. The group was formally organized in 1984 as an operating division of the Parent with its own duly constituted Board of Trustees. In 1989, upon completion of a market survey, a fundraising feasibility study and an analysis of alternate sites, the Board of Trustees of the operating division chose a site located in Cary, North Carolina as the future location for a new CCRC to be known as "Glenaire". In February 1990, the Parent filed an assumed name certificate for the operating division, adopting the same name as the facility. In May 1991, the operating division of Glenaire became a separate corporate entity, Glenaire, Inc., and the facility opened its doors for operation in 1993. The facility was financed through loans from the North Carolina Medical Care Commission, which issued \$27,565,000 Health Care Facilities First Mortgage Revenue Bonds (Glenaire Project), Series 1991 (subsequently refunded buy the Health Care Facilities Mortgage Revenue Refunding Bonds (Glenarie Project), Series 1996 issued in the amount of \$22,120,000 by the North Carolina Medical Care Commission and \$14,395,000 Health Care Facilities First Mortgage Revenue Bonds (Glenaire Project), Series 1997, respectively, to provide the required funding.

River Landing at Sandy Ridge, an unincorporated operating division of the Parent, was formed in 1998 and began operation in January 2003. The need for River Landing at Sandy Ridge grew out of the inability of the Presbyterian Home of High Point to expand as a result of the State of North Carolina taking by eminent domain approximately ten acres of the 29 acres for The Presbyterian Home of High Point's campus for highway construction. A financial and market study was conducted to ascertain the feasibility of maintaining the existing facility and building a new continuing care retirement community in the Triad are, consisting of the area between and including the cities of Greensboro, High Point and Winston-Salem. As a result of the findings of those two studies the Board of Governors of the Parent decided to proceed with building a new CCRC in High Point, North Carolina (the "River Landing Community"). The facility was financed through a loan from the North Carolina Medical Care Commission, which issued \$91,885,000 Health Care Facilities First Mortgage Revenue Bonds (The Presbyterian Homes, Inc. Project), Series 2001 in February 2001 to provide the required funding.

The Bonds are not rated. The \$7,385,000 Serial Bonds (2005A) mature in the years 2006-2015 and bear stated interest rates ranging from 4.00% to 5.00% and yields ranging from

3.75% to 5.15%. The 2005A \$3,180,000 5.125% Term Bonds due July 1, 2018 yield 5.25%. The 2005A \$2,900,000 5.25% Term Bonds due July 1, 2021 yield 5.35%.

The 2005B Adjustable Rate Reset Bonds due July 31, 2031 have an initial interest rate of 4.35% and have an interest rate reset date of July 1, 2007.

Larson Allen Weishain & Co, LLP served as feasibility consultant for the issue. Womble Carlyle Sandridge & Rice, PLLC served as bond counsel and Sidley Austin Brown & Wood LLP served as counsel to the underwriters. First Citizens Bank and Trust Company serves as bond trustee.

Duke University Health System - \$322,140,000

On May 19, 2005 the Commission issued its \$322,140,000 North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (Duke University Health System) Series 2005 consisting of \$107,380,000 Series 2005A, \$107,380,000 Series 2005B and \$107,380,000 Series 2005C dated the date of issuance, May 19, 2005.

The proceeds of the Bonds are being used, together with other available funds, to: (a) refund the Series 1996C Bonds maturing on June 1, 2016, 2017, 2021, and 2026, (b) refund the Series 1998A bonds maturing on June 1, 2018, 2023, and 2028 (c) refund the Series 1998B Bonds maturing on June 2018, 2021, and 2028, and (d) pay all or a portion of the expenses incurred in connection with the issuance and delivery of the Bonds.

To accomplish the refunding of the Refunded Bonds, the proceeds of the Bonds, together with certain other available funds, were deposited with The Bank of New York, as Escrow Agent (the "Escrow Agent"), in trust pursuant to the terms and conditions of an Escrow Deposit Agreement, dated as of May 1, 2005, among the Commission, DUHS and the Escrow Agent. Funds on deposit with the Escrow Agent were used to purchase certain non-callable Government Obligations maturing at times and in amount sufficient to provide funds, together with other funds deposited with the Escrow Agent and remaining uninvested, to pay the principal of, premium if any, and interest on the Refunded Bonds as the same become due and payable. The Refunded 1996C Bonds will be irrevocably called for redemption on June 1, 2006 at a redemption price equal to 100% of the principal amount of Refunded 1996C Bonds to be redeemed plus accrued interest to the redemption date. The Refunded 1998A Bonds and the Refunded 1998B Bonds will be redeemed plus accrued interest to the redemption date.

On March 24, 2005, DUHS entered into a forward starting floating to fixed interest rate swap agreement with an effective date of May 19, 2005 and a termination date of June 1, 2028 for the purpose of hedging the variable interest rate on the Bonds. The Counterparty to the 2005 Swap is Citigroup Financial Products Inc. The Counterparty will pay floating rate payments based on a per annum rate of 61.52% of one-month LIBOR plus 0.28% and DUHS will pay a fixed rate of 3.601% per annum, in each case on a notional amount equal to the principal amount of the Bonds. Settlements are made on the first Wednesday of each month. The agreement by the Counterparty to pay certain amounts to DUHS pursuant to the interest rate swap agreement does not alter or affect DUHS's obligation to pay the principal of, interest on, or the redemption price of any of the Bonds. Neither the holders of the Bonds nor any other person have any rights under the 2005 Swap or against the Counterparty.

Duke University Health System, Inc. (“DUHS” or the “Health System”) is a private, nonprofit corporation exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended, as an organization described in Section 501 (c)(3) of the Code. The Health System is a controlled affiliate of Duke University (the “University”), a private, nonprofit institution of higher education, research and health care located primarily in Durham, North Carolina. The University organized DUHS in March 1998 primarily for the purpose of owning and operating the University’s integrate academic health system. The university transferred its integrated health system assets to DUHS in April 1999.

The Health System’s primary hospital facility is Duke University Hospital. Duke University Hospital is an academic medical center and is recognized nationally and internationally for excellence in patient care, medical education and biomedical research. With 989 licensed beds, Duke University Hospital is one of the largest private hospital hospitals in the Southeast. Duke University Hospital is located on the campus of the University and the hospital, together with various other facilities located on campus, including the Duke University School of Medicine, the Duke University School of Nursing, the faculty practice plan (organized as the Private Diagnostic Clinic, PLLC) and various research facilities, is sometime referred to as “Duke University Medical Center” or “DUMC”.

The Health System also includes two additional hospital facilities, 186-bed Duke Health Raleigh Hospital and 369-bed Durham Regional Hospital. Both of these facilities are general acute care community hospitals, which provide secondary and tertiary care. In total, the Health System has over 1,800 physicians on the medical staff in approximately 90 buildings located on 210 acres.

Ponder and Company served as financial advisor in connection with issuance of the bonds. The Bank of New York Trust Company serves as bond trustee. Robinson Bradshaw & Hinson, PA served as bond counsel and Womble Carlyle Sandridge and Rice PLLC served as counsel to the underwriters. Citigroup served as underwriter for the issue.

The Series 2005A, 2005B and 2005C bonds are subject to mandatory sinking fund redemption in the years 2016-2022. The bonds bear interest on a weekly rate initially. Bank of America NA provides the liquidity facility for the 2005A Bonds. Citibank NA provides the liquidity facility for the 2005B Bonds and SunTrust provides the liquidity facility for the 2005C Bonds. The Bonds are rated AA/F1+ by Fitch, Aa3/VMIG1 by Moody’s and AA/A-1+ by Standard and Poor’s.

Blue Ridge HealthCare System-\$35,000,000 Series 2005A and \$43,075,000 Series2005B

On June 9, 2005 the Commission issued its \$35,000,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Blue Ridge Health System Project) Series 2005A dated June 9, 2005 and \$43,075,000 North Carolina Medical Care Commission Variable Rate (Blue Ridge Health Care System Project) Series 2005B dated June 9, 2005.

Proceeds of the Series 2005A Bonds, together with other available funds, are being used to (a) pay or reimburse the System for paying the cost of acquiring, constructing and equipping certain capital projects for the System as described herein, (b) pay the premium for the municipal bond insurance policy being issued in connection with the Series 2005A Bonds and (c) pay certain fees and expenses incurred in connection with the issuance of the Series 2005A Bonds.

The project consists of the construction of a Women and Children's Center; a Heart, Lung, and Vascular Center; an Orthopedic, Neurological and Rehabilitation Center; and an outpatient center, all at Grace Hospital. Approximately 21,950 square feet of additional space will be added and approximately 29,600 square feet will be rehabilitated. Various infrastructure improvements, equipment acquisitions and campus improvements are also planned. Construction is expected to begin in 2005 and to be completed in 2007.

The proceeds of the Series 2005B Bonds are being used to currently refund all of the outstanding Series 2000 Bonds and all of the outstanding Series 1998 Bonds. Such refunded bonds are expected to be paid in full within 30 days of the date of delivery of the Series 2005B Bonds.

Blue Ridge HealthCare System, Inc., a nonprofit corporation organized under the laws of the State of North Carolina ("Blue Ridge"), operates a unified healthcare system in Burke County, North Carolina that does business as Blue Ridge HealthCare (the "System"). The System includes acute care, mental health and long-term care facilities. The System was formed in 1999 when Grace Hospital, Inc., Valdese General Hospital, Inc. The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System (the "Authority") and Blue Ridge entered into an Integration Agreement. The System is managed by the Authority pursuant to a Management Services Agreement.

The Members of the Obligated Group under the Master Indenture are:

- Blue Ridge;
- Grace Hospital, Inc., doing business as Grace Hospital ("Grace Hospital");
- Valdese General Hospital, Inc. doing business as Valdese Hospital ("Valdese Hospital");
- Grace Lifecare, Inc. doing business as Grace Heights Health and Rehabilitation Center ("Grace Heights");
- Grace Nursing Center, Inc. doing business as Grace Heights Health and Rehabilitation Center ("Grace Heights");
- Valdese Nursing Home, Inc. doing business as College Pines Health and Rehabilitation Center ("College Pines")

Each Member of the Obligated Group is a North Carolina nonprofit corporation, and the income of each Member of the Obligated Group is exempt from federal and state income taxation.

The System receives support from Blue Ridge HealthCare Foundation, Inc. (the Foundation"), which exists for charitable, humanitarian, educational, scientific and medical purposes, primarily in and for the benefit of the System and the vicinity thereof. Because Blue Ridge appoints the directors of the Foundation, the financial position and results of operation of the Foundation are reflected in the consolidated financial statements of the System; however, the Foundation is not a Member of the Obligated Group and, therefore, is not required to comply with the provisions of the Master Indenture and is not directly or indirectly obligated to pay amounts due with respect to the Series 2005A Bonds or the Series 2005B Bonds (collectively, the "Series 2005 Bonds).

Blue Ridge, Grace Hospital, Valdese Hospital and the Authority entered into an Integration Agreement dated August 2, 1999 (as amended and restated, the "Integration

Agreement”), that became effective in December 1999 and integrates the functions of Grace Hospital and its affiliates, Grace Ridge and Grace Heights (collectively, the “Grace Entities”), with the functions of Valdese Hospital and its affiliate, College Pines (collectively, the “Valdese Entities,” and together with the Grace Entities and Blue Ridge, the “System participants”), to create the second largest health care system in the four county region of North Carolina known as the Uniform region (which consists of Burke, Caldwell, Catawba and Alexander Counties).

The initial Integration Agreement integrated the management, operations and financial results of the System. In 2002 the Integration Agreement was amended and restated to integrate the governance structure of the Grace Entities and the Valdese Entities. Since 2002 the Blue Ridge Board of Directors has had the power to appoint the members of the Boards of Directors of Grace Hospital and Valdese Hospital (which are mirror boards, that is, the same group of individuals serve as the directors of both corporations) and has general authority on all matters related to the System and to individual System Participants with certain limited exceptions.

Day-to-day operations of the System are managed by CHS under the terms of an Amended and Restated Management Services Agreement dated August 27, 2002 (the “Management Agreement”) between the Authority and Blue Ridge. The Management Agreement initially became effective in December 1999 simultaneously with the Integration Agreement and was amended and restated in 2002 simultaneously with the amendment and restatement of the Integration Agreement. The Management Agreement provides that the Authority is paid a management fee based on the System’s new revenues.

The Grace Entities and the Valdese Entities continue to own their respective assets and share the consolidated System’s operating margin in accordance with established “Contribution Percentages.” The Contribution Percentages are 63% for the Grace Entities and 37% for the Valdese Entities. The Grace Entities and the Valdese Entities bear responsibility for the aggregate capital needs of the System in accordance with their Contribution Percentages.

The Integration Agreement has no stated termination date; that is, the Integration Agreement continues in effect until terminated by one of more of the parties. The term of the Management Agreement runs concurrently with the term of the Integration Agreement. The termination provisions of the Integration Agreement and the Management Agreement provide that termination of either agreement results in the termination of the other. Termination of the integration Agreement will result in either the System being dissolved or in either Grace Hospital or Valdese Hospital purchasing or acquiring control of the other and its affiliates pursuant to a put or call option. In the event that either the put or call is exercised, the acquiring party will pay a purchase price equal to the selling party’s Contribution Percentage of the fair market value of the combined assets of the System taken as a whole as of the termination date as determined by an independent appraiser using then-prevailing methodology (the “System Value”). In the event of dissolution, the System Value would be paid to the Grace Entities and the Valdese Entities based on the respective Contribution Percentages. The goals of dissolutions would include an allocation of assets and liabilities to provide substantial equity to the Grace Entities and the Valdese Entities to their pre-Agreement positions, to the extent reasonably possible, to allow each to continue to provide quality and cost effective health care services. An ad hoc committee of the Blue Ridge Board of Directors would engage consultants to insure the goals of dissolution are met.

Blue Ridge has covenanted in the Loan Agreements to not withdraw, nor permit Grace Hospital or Valdese Hospital to withdraw, from the Obligated Group without the prior written consent of the Commission and the Bond Insurer while any of the Series 2005 Bonds are

Outstanding. Thus, even if the Integration Agreement terminates, Blue Ridge, Grace Hospital, and Valdese Hospital will remain jointly and severally liable for all Obligations issued under the Master Indenture related to the Series 2005 Bonds unless otherwise consented to by the Commission and the Bond Insurer and certain conditions are satisfied.

Bank of America Securities, LLC served as senior manager for both the 2005A and 2005B bonds with Citigroup and Wachovia Bank National Association as co-managers. Helms, Mulliss & Wicker, PLLC served as bond counsel, and Womble Carlyle Sandridge and Rice, PLLC as counsel to the underwriters. Wachovia Bank serves as bond trustee.

The 2005A bonds are insured by Financial Guaranty Insurance Company and are rated Aaa by Moody's and AAA by Standard and Poor's. The Bonds also bear an uninsured rating of A3 by Moody's and A+ by Standard and Poor's based on the credit worthiness of Blue Ridge HealthCare System. The \$6,925,000 Serial Bond mature in the years 2018-2021 and bear stated interest rates ranging from 4.067% to 5.00%, with yields ranging from 4.00% to 4.18%. The \$4,620,000 4.375% Term Bonds are due January 1, 2033 at 4.375%, yield 4.50%. The 23,455,000 5.00% Term Bonds due January 1, 2033 at 5.00%, yield 4.38%.

The 2005 B Bonds are rated the same as the 2005A Bonds and initially bear interest in the Auction Rate Mode for a seven day period. The 2005B bonds are subject to mandatory sinking fund redemption in the years 2006-2036.

Watauga Medical Center-\$31,350,000

On June 14, 2005 the Commission issued its \$31,350,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Watauga Medical Center Project) Series 2005 dated June 14, 2005.

The Borrower is using a portion of the proceeds from the sales of the Bonds to (i) finance (or reimburse itself for paying) all or a portion of the cost of (A) constructing and equipping an expansion of the emergency room by the addition of approximately 7,600 square feet and the renovation of existing space, (B) constructing and equipping an expansion of the Wellness Center through renovations and additions, including three classrooms, an indoor swimming pool, a heated therapy pool and the consolidation of outpatient physical therapy services, (C) constructing, renovating and equipping an existing office building to include space for, among others, the business office and home health agency, (D) replacing the current information system of the Medical Center, including software and hardware and (E) acquiring and installing various routine medical equipment (collectively, the "Project"), and (ii) pay certain expenses incurred in connection with the authorization, sale and issuance of the Bonds by the Commission.

The remaining proceeds of the Bonds are being used to refund a loan made by the Commission to the Borrower in the principal amount of \$13,000,000 from the proceeds of the North Carolina Medical Care Commission Hospital Revenue Bonds (Pooled Equipment Financing Project), Series 1985 (the "1985 Pool Loan.") The proceeds of the 1985 Pool Loan were used by the Borrower to finance all or a portion of the cost of construction a parking deck, upgrading the energy plant, expanding and refurbishing the food service area, increasing the capacity of the cafeteria and constructing a three-story addition to the Medical Center to house pathology laboratory space, additional educational classrooms, a cardiac catheterization laboratory and a ten-bed medical surgery patient unit.

Watauga Medical Center, Inc., is a nonprofit corporation organized under the laws of the State of North Carolina. By letter dated July 1950, the Internal Revenue Service determined that the Borrower was exempt from federal taxation pursuant to Section 501 (c) (3) of the Internal Revenue Code and is not a private foundation as defined in Section 509 (a) (3) of the Code. The Borrower operates a 117-licensed bed community hospital located at 336 Deerfield Road in Boone, North Carolina (the “Medical Center”) that provides both primary and secondary acute and specialty care services for Watauga, Ashe and Avery Counties in North Carolina, and Johnson County in Tennessee. The Medical Center provides a wide range of general health services on an inpatient and outpatient basis, including medical, surgical, emergency, pediatric, obstetric and neo-natal care. In addition, the Medical Center provides home care, dialysis, radiation, imaging medical oncology, physical therapy, and pulmonary and cardiac rehabilitation, among its other services.

The Medical Center is fully accredited by the Joint Commission on the Accreditation of Healthcare Organizations; its current three-year accreditation period extends through April, 2006. It’s Laboratory and Pathology Departments are fully accredited by the College of American Pathologists; that current accreditation period also extends through April, 2006.

The Medical Center traces its origin back to 1931, and in its earlier years, served as a clinic on a corner of the campus of Appalachian State Teachers College. In 1967 it relocated to its current site as the 83-bed Watauga County Hospital and expanded to its current size and structure over the next 38 years. The name was changed to Watauga Medical Center in 1994 to reflect the breadth of service provided. The Medical Center’s current facilities and service groups include the Seby B. Jones Regional Cancer Center, which provides both radiation and chemotherapy on an out-patient basis; the Paul H. Broyhill Wellness and Rehabilitation Center, which offers wellness activities and out-patient rehabilitation; the Scott Mallard Kidney Dialysis Center, which provides end stage renal dialysis on an out-patient and in-patient basis; Medical Center Home Health, which provides a full range of home care services; and Blue Ridge Physical Therapy, which provides out patient and sports related physical therapy. The Watauga Medical Center Foundation, Inc., is an affiliate of the Borrower and promotes and supports the Medical Center by the receipt of gifts, donations, income and funds for the advancement of medical and medical facilities and services. The Foundation is also exempt from federal income taxation pursuant to Section 501 (c)(3) of the Code.

The Borrower leases the Medical Center from Watauga County, a political subdivision of the State of North Carolina, pursuant to a contractual arrangement. That agreement was extended in 2004 and is now stated to terminate in November 2034.

The Bonds mature April 1, 2034 and are subject to mandatory sinking fund redemption in the years 2006-2034. The Bonds are rated Aa2/VMIG 1 by Moody’s based on the letter of credit issued by Wachovia Bank National Association. The Bonds initially bear interest in the weekly rate mode. Wachovia Bank National Association serves as remarketing agent for the bonds. Branch Banking & Trust Company serves as bond trustee. Womble Carlyle Sandridge and Rice, PLLC served as bond counsel, and Robinson Bradshaw & Hinson, PA served as counsel to the underwriter.

Morehead Memorial Hospital-\$47,675,000

On June 15, 2005 the Commission issued its \$47,675,000 North Carolina Medical Care Commission FHA Insured Mortgage Revenue Bonds (Morehead Memorial Hospital Project) Series 2005 dated June 15, 2005. The proceeds are being used together with other available

funds, to (a) pay the costs of the Project, (b) refund all of the Commission's outstanding Hospital Revenue Bonds (Morehead Memorial Hospital), Series 1993, (c) pay a portion of the interest accruing on the Bonds during construction of the Project, (d) fund a debt service for the benefit of the Bonds, and (e) pay certain costs incurred in connection with the issuance of the Bonds.

In 2002, the Corporation commissioned a study of the Hospital's facilities, which concluded that the existing facilities were not adequate to accommodate increasing patient volumes. In particular, the study concluded that improvements were needed in the Hospital's emergency department, diagnostic imaging department, admitting and outpatient registration areas, medical records, information services, and nursing stations. The Project is designed to respond to the needs identified in the study and consists of approximately 57,000 square feet of new construction, 16,000 square feet of renovations and several equipment upgrades as described below.

The portion of the Project relating to the Hospital's principal campus (the "Principal Campus") consists of: (1) expansion and renovation of the Hospital's emergency department designed to increase efficiency and to provide more privacy for patients; (2) renovation of admitting and outpatient registration areas; (3) construction of a new outpatient services entrance; (4) replacement of nursing stations; (5) expansion of the medical records and information systems departments; (6) renovations to provide space for a fixed MRI scanner; and (7) improvement of the capacity and energy efficiency of HVAC systems.

A portion of the Project will be constructed on approximately two acres of land (the "Expansion Campus") across the street from the Principal Campus. The land was donated to the Corporation for the purpose of improving outpatient services. The portion of the Project on the donated land consists of: (1) construction of approximately 18,000 square feet of new space to support growth of diagnostic imaging and laboratory services and (2) relocation of the business office from the existing Hospital facilities. As part of the Project, the Corporation will also replace the Hospital's current mobile MRI scanner with a fixed MRI scanner, retire debt incurred for the current mobile MRI scanner, retire debt incurred to upgrade the linear accelerator to a high energy technology linear accelerator, and acquire other high technology equipment to support the operations of the emergency room and the diagnostic imaging department. In addition, as part of the Project, the Corporation expects to use approximately \$1,600,000 of the proceeds of the Bonds for routine capital equipment.

Construction of the Project is expected to commence in June 2005 and is expected to be completed by March 2007. The Corporation has received all necessary certificates of needs for the Project and has entered into a guaranteed maximum price contract with a private contractor relating to the construction portions of the Project. The Corporation has incurred approximately \$2,000,000 in debt for architect and engineering fees related to the Project. Such debt will be retired with a portion of the proceeds of the Bonds. The Principal Campus, the Expansion Campus and the Project will be subject to the lien on the Mortgage.

The Commission is issuing the Bonds, in part, to refund and defease all of its Hospital Revenue Bonds (Morehead Hospital Project), Series 1993 (the "Refunded Bonds"), which were issued under a Trust Agreement, dated as of May 15, 1993 (the "1993 Trust Agreement"), between the Commission and The Bank of New York Trust Company, N.A., as successor trustee (the "Series 1993 Trustee"), and are currently outstanding in the principal amount of \$5,880,000. Pursuant to the Indenture and a Letter of Instructions, dated as of June 1, 2005, from the Commission to the Series 1993 Trustee, a portion of the net proceeds of the Bonds, together with funds currently held by the Series 1993 Trustee, will be deposited into the Redemption Fund

created pursuant to the 1993 Trust Agreement. The Series 1993 Trustee will hold such funds in trust for the benefit of the holders of the Refunded Bonds, invest them in accordance with the Letter of Instructions and apply them to payment of the redemption of the Refunded Bonds on or about July 22, 2005 at a redemption price equal to 101% of the principal amount thereof, plus accrued interest to the redemption date.

Morehead Memorial Hospital (the “Corporation”) is a private, nonprofit corporation organized under the laws of the State of North Carolina and is exempt from taxation as an organization described in Section 501 (C) (3) of the Internal Revenue Code of 1986, as amended. The Corporation owns and operates a 108-bed general acute care hospital operating as Morehead Memorial Hospital (the “Hospital”), and a 134-bed long-term care facility operating as Morehead Nursing Center (the “Nursing Center”), both of which are located in Eden, North Carolina. The Corporation provides a wide array of additional health care related services. The Corporation’s mission is to provide an appropriate range of health care services according to the demonstrated need within the community and the Corporation’s ability to provide services at a high level of quality and in a cost-effective manner.

The Hospital opened at its current location in 1960, the same year the Corporation was incorporated. The Hospital’s roots go back to the 24 bed hospital Tri-City Hospital which opened in 1924 in Leaksville (now part of Eden), North Carolina.

The Hospital’s current main building opened in 1960. The Hospital has continued to grow and expand services to meet community needs and to address technological change. Major additions, renovations and improvements were completed in 1964, 1968, 1982, 1986 1989 and 1993. Major components of the Hospital include five operating suites; a birthing center; an emergency room; a day hospital unit; the Whitcomb Diagnostic and Treatment Center which houses outpatient services, including diagnostic imaging and laboratory; and The Johns Smith, Jr.-Dalton McMichael Cancer Center which opened in 1994 to provide both medical oncology services and radiation therapy services. The Cancer Center is the only provider of radiation therapy services in the Hospital’s market area. The main hospital facilities encompass approximately 206,000 square feet of space.

The Nursing Center opened in 1994 and encompasses approximately 47,000 square feet of space. In addition, the Corporation owns five medical office buildings and employs physicians who provide emergency, pediatric, obstetric, orthopedic and family practice services.

The Hospital provides a broad range of inpatient and outpatient services including 24 – hour emergency services, physical therapy, outpatient surgery, radiology, magnetic resonance imaging, laboratory, kidney stone lithotripsy, laparoscopic cholecystectomy, laser surgery, endoscopy, nutritional and diabetic counseling and education, respiratory therapy, EKG and non-invasive vascular laboratory. Other services include a 9-bed critical care unit, industrial health services, blood bank, echocardiology, stress testing, social services, birthing center and a 1334-bed nursing facility.

The proposed expansion and renovation project being financed with the proceeds of the Bonds consists of approximately 57,000 square feet of new construction and 16,000 square feet of renovations of the current Hospital facilities. These improvements will expand and modernize the hospital emergency room, expand the diagnostic imaging department, and create a new outpatient services entrance. Furthermore, the expansion and renovation project will replace existing nursing stations, increase the capacity and energy of hospital HVAC systems, and expand the hospital medical records and information systems departments.

The Bonds are rated Aaa by Moody's and AAA by Standard and Poor's based on the issuance of an insurance policy by Financial Security Assurance, Inc. The \$6,155,000 Serial Bonds mature in the years 2007-2012 and bear stated interest rates ranging from 3.25% to 3.50% and carry yields ranging from 3.00% to 3.57%. The \$12,270,000 5.00% Term Bonds due November 1, 2020 yield 4.05%. The \$13,110,000 5.00% Term Bonds due November 1, 2026 yield 4.25%. The \$11,299,000 5.00% Term Bonds due November 1, 2030 yield 4.34% the \$4,845,000 4.04% Term Bonds due May 1, 2032 yield 4.57%. The project is being funded by the HUD 242 Program. McGuire Woods served as bond counsel. Hunton & Williams served as counsel to the underwriters. Wachovia Bank serves as bond trustee.

“The North Carolina Department of Health and Human Services does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.”

Seventeen copies of this report were printed internally for members of the North Carolina Medical Care Commission at an immaterial cost.