

NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

**The North Carolina Medical Care Commission
701 Barbour Drive
Raleigh, North Carolina**

MINUTES

**CALLED MEETING OF THE EXECUTIVE COMMITTEE
CONFERENCE TELEPHONE MEETING ORIGINATING
FROM THE COMMISSION'S OFFICE
FEBRUARY 3, 2010
2:00 P.M.**

Members of the Executive Committee Present:

Joseph D. Crocker, Vice-Chairman
George H. V. Cecil
Gerald P. Cox
Charles T. Frock
Mary L. Piepenbring
Dr. Robert E. Schaaf

Members of the Executive Committee Absent:

Lucy Hancock Bode, Chairman

Members of Staff Present:

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

Others Present:

Alice Pinckney Adams, Robinson Bradshaw & Hinson, PA
Tommy Brewer, BB& T Capital Markets
Allen K. Robertson, Robinson Bradshaw & Hinson, PA

1. **Purpose of Meeting**

To authorize the sale of bonds, the proceeds of which are to be loaned to The United Methodist Retirement Homes, Incorporated.

2. **Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$14,300,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project), Series 2010A and Approving U.S. Bank National Association as Successor Master Trustee.** –Remarks were made by Tommy Brewer and Allen Robertson

Executive Committee Action: A motion was made by Ms. Mary Piepenbring, seconded by Mr. Charles Frock and unanimously approved.

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

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

WHEREAS, the Corporation has made application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (a) acquire, construct, equip and furnish a new, approximately 69,000 square-foot health care facility at the Corporation’s Wesley Pines campus located at 1000 Wesley Pines Road, Lumberton, North Carolina 28358, which will include (i) 62 licensed skilled nursing beds, (ii) 42 licensed assisted living beds, (iii) all required living, activities, exercise and support spaces necessary to support such nursing and assisted living beds, (iv) a central commons area with administrative and marketing offices, dining facilities, central kitchen, and storage and laundry facilities, (v) a loading dock, (vi) a separate multi-purpose building and (vii) a separate maintenance building and trash enclosure (collectively, the “Project”); (b) pay a portion of the interest accruing on the Bonds (as defined below) during the construction of the Project; and (c) pay certain expenses incurred in connection with the authorization and issuance of the Bonds by the Commission; and

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on November 13, 2009, has approved the issuance of the Bonds, subject to compliance by the Corporation with the conditions set forth in such resolution, and the Corporation has complied with such conditions to the satisfaction of the Commission; and

WHEREAS, First-Citizens Bank & Trust Company (“First-Citizens”) has been serving as the master trustee under the Amended and Restated Master Trust Indenture, dated as of February

1, 2005 (as supplemented, the “Master Indenture”), between the Corporation, The United Methodist Retirement Homes Foundation (the “Foundation”) and First-Citizens; and

WHEREAS, First-Citizens has sold its corporate trust business to U.S. Bank National Association (“U.S. Bank”) and, in connection therewith, desires to resign as master trustee and have U.S. Bank appointed as successor master trustee; and

WHEREAS, the Commission must approve the appointment of any successor master trustee under the Master Indenture, and the Corporation has requested such approval; and

WHEREAS, there have been presented at this meeting draft copies of the following documents relating to the issuance of the Bonds and the appointment of a successor master trustee:

(a) a Trust Agreement, dated as of February 1, 2010 (the “Trust Agreement”), between the Commission and U.S. Bank National Association, Raleigh, North Carolina, as bond trustee (the “Bond Trustee”);

(b) a Loan Agreement, dated as of February 1, 2010 (the “Loan Agreement”), between the Commission and the Corporation;

(c) a Supplemental Indenture for Obligation No. 7, dated as of February 1, 2010 (“Supplement No. 7”), between the Corporation, the Foundation and U.S. Bank National Association, as master trustee (in such capacity, the “Master Trustee”) under the Master Indenture;

(d) Obligation No. 7, to be dated the date of delivery of the Bonds (“Obligation No. 7”), from the Corporation to the Commission;

(e) a Supplemental Indenture for Obligation No. 8, dated as of February 1, 2010 (“Supplement No. 8” and together with Supplement No. 7, the “Supplemental Indentures”), between the Corporation, the Foundation and the Master Trustee;

(f) Obligation No. 8, to be dated the date of delivery of the Bonds (“Obligation No. 8” and together with Obligation No. 7, the “Obligations”), from the Corporation to the Bank;

(g) two Third Amendments to Deed of Trust, each dated as of February 1, 2010 (the “Third Amendments”), from the Corporation to the Deed of Trust trustee named therein for the benefit of the Master Trustee, each amending and supplementing the Amended and Restated/Supplemental Deeds of Trust, dated as of February 1, 2005 (as amended, the “Deeds of Trust”), from the Corporation to the Deed of Trust trustee named therein for the benefit of the Master Trustee;

(h) an Assignment of Contracts, dated as of February 1, 2010 (the “Assignment of Contracts”), between the Corporation and the Master Trustee;

(i) a Limited Guaranty, dated as of February 1, 2010 (the “Guaranty”), given by Cypress Glen Retirement Community (“Cypress Glen”) in favor of the Bond Trustee;

(j) a Contract of Purchase, to be dated as of the date of delivery of the Bonds (the “Purchase Agreement”), between the Local Government Commission of North Carolina (the “LGC”) and Branch Banking and Trust Company, as the initial purchaser of the Bonds (the “Bank”), and approved by the Commission and the Corporation; and

(k) a Resignation, Appointment and Acceptance Agreement dated as of January 13, 2010 (the “Successor Master Trustee Agreement”) among the Corporation, First-Citizens, U.S. Bank, the Commission and the LGC; and

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

WHEREAS, the Commission has determined that adequate provision has been made for the payment of the principal of, redemption premium, if any, and interest on the Bonds;

NOW, THEREFORE, THE NORTH CAROLINA MEDICAL CARE COMMISSION DOES HEREBY RESOLVE, as follows:

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

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project), Series 2010A (the “Bonds”), in the aggregate principal amount of \$14,300,000. The Bonds shall mature on October 1, 2036 and shall bear interest at such rates determined in accordance with the Trust Agreement and shall be subject to the Sinking Fund Requirements set forth in Schedule 1 hereto.

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

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

Section 4. The proceeds of the Bonds shall be applied as provided in Section 2.10 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to finance a portion of the costs of the Project, pay a portion of the interest accruing on the Bonds and pay costs of issuing the Bonds will accomplish the public purposes set forth in the Act.

Section 5. The forms, terms and provisions of the Trust Agreement and the Loan Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute and deliver the Trust Agreement and the Loan Agreement in substantially the forms presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary and appropriate, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 6. The form, terms and provisions of the Purchase Agreement are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) is hereby authorized and directed to execute and deliver the Purchase Agreement in substantially the form presented at this meeting, together with such changes, modifications, insertions and deletions as they, with the advice of counsel, may deem necessary and appropriate, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 7. The forms of the Bonds set forth in the Trust Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute, by manual or facsimile signature as provided in such forms of the Bonds, and to deliver to the Bond Trustee for authentication on behalf of the Commission, the Bonds in definitive form, which shall be in substantially the forms presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary, appropriate and consistent with the Trust Agreement, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 8. The forms, terms and provisions of the Supplemental Indentures, the Obligations, the Third Amendments, the Assignment of Contracts and the Guaranty are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications and deletions as the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission, with the advice of counsel may deem necessary and appropriate; and the execution and delivery of the Trust Agreement as provided in Section 5 of this Series Resolution shall be conclusive evidence of the approval of the documents listed in this Section by the Commission.

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

Section 10. Upon their execution in the form and manner set forth in the Trust Agreement, the Bonds shall be deposited with the Bond Trustee for authentication, and the Bond Trustee is hereby authorized and directed to authenticate the Bonds and, upon the satisfaction of the conditions set forth in Section 2.10 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Bank against payment therefor.

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

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

Section 13. The appointment by the Corporation of U.S. Bank as successor Master Trustee under the Master Indenture pursuant to the Successor Master Trustee Agreement is hereby approved, and the Chairman, Vice Chairman, Secretary or any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) is hereby authorized and directed to execute and deliver the Successor Master Trustee Agreement in substantially the form presented at this meeting, together with such changes, modifications, insertions and deletions as they, with the advice of counsel, may deem necessary and appropriate, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 14. Lucy H. Bode, Chairman of the Commission, the Secretary of the Commission (currently William J. Horton, Acting Secretary), Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, and the Chief of the Construction Section of the Division of Health Service Regulation (currently Steven Lewis, Acting Chief) are each hereby appointed a Commission Representative as that term is defined in the Loan Agreement, with full power to carry out the duties set forth therein.

Section 15. The Chairman, Vice Chairman, Secretary, and any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are each hereby authorized and directed (without limitation except as may be expressly set forth herein) to take such action and to execute and deliver any such documents, certificates, undertakings, agreements or other instruments as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Trust Agreement, the Loan Agreement, the Purchase Agreement and the Successor Master Trustee Agreement.

Section 16. All references in this Resolution to the Secretary of the Commission include any Acting Secretary of the Commission.

Section 17. The Commission hereby recommends that the Governor of the State of North Carolina approve the issuance of the Bonds pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, and hereby requests such approval.

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

Note: The Bonds should bear interest at the rate of 68% of 1 month LIBOR plus 1.62%.

3. Adjournment

There being no further business, the meeting was adjourned at 2:25 p.m.

Respectfully submitted,

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

Schedule 1

<u>Due October 1</u>	<u>Sinking Fund Requirement</u>	<u>Due October 1</u>	<u>Sinking Fund Requirement</u>
2011	\$ 25,000	2024	\$545,000
2012	305,000	2025	600,000
2013	360,000	2026	600,000
2014	360,000	2027	600,000
2015	365,000	2028	645,000
2016	420,000	2029	660,000
2017	420,000	2030	665,000
2018	420,000	2031	720,000
2019	425,000	2032	755,000
2020	480,000	2033	790,000
2021	480,000	2034	840,000
2022	485,000	2035	895,000
2023	540,000	2036*	900,000

* Maturity

Professional Fees Comparison for
The United Methodist Retirement Homes, Incorporated

<u>Professional</u>	Fees Estimated In Preliminary Approval <u>Resolution</u>	<u>Actual Fees</u>
Structuring fee (BB&T Capital Markets)	\$154,000	\$143,000
Accountants	15,000	9,500
Corporation counsel	35,000	27,000
Bond counsel	50,000	45,000
Bank loan origination fee	77,886	35,750
Bank counsel	40,000	35,000