

**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  
SEPTEMBER 23, 2010  
2:00 P.M.**

**Members of the Executive Committee Present:**

Lucy Hancock Bode, Chairman  
George H. V. Cecil  
Gerald P. Cox  
Charles T. Frock  
Mary L. Piepenbring  
Dr. Robert E. Schaaf

**Members of the Executive Committee Absent:**

Joseph D. Crocker, Vice-Chairman

**Members of Staff Present:**

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

**Others Present:**

Steve Cordell, McGuire Woods, LLP  
John Franklin, BB&T Capital Markets  
Kurt Powell, Bank of America Merrill Lynch  
Allen Robertson, Robinson Bradshaw & Hinson, P.A.

1. **Purpose of Meeting**

To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to Blue Ridge HealthCare System, Inc. and to consider the approval of a conversion of the Commission's Variable Rate Demand Health Care Facilities Revenue Bonds (The Presbyterian Home at Charlotte, Inc. Project), Series 2001 to a "Bank-Bought Rate" mode.

2. **Series Resolution Authorizing the Issuance of \$51,195,000 North Carolina Medical Care Commission Health Care Facilities Refunding Revenue Bonds (Blue Ridge HealthCare), Series 2010A (the "Bonds")** - Remarks were made by Steve Cordell, Kurt Powell and Allen Robertson.

**Executive Committee Action:** Motion was made by Mr. Gerald Cox, seconded Mr. George Cecil and unanimously approved with Lucy Bode abstaining from the vote due to ownership of stock in Bank of America Merrill Lynch.

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

**WHEREAS**, Blue Ridge HealthCare System, Inc. (the "Corporation") is a private, nonprofit organization duly organized and validly existing under and by virtue of the laws of the State of North Carolina, which owns and operates acute care hospitals and other health care facilities located in Burke County, North Carolina; and

**WHEREAS**, the Corporation has made an application to the Commission for a loan for the purposes of providing funds, with other available funds, to (a) refund the outstanding principal amount of the Medical Care Commission's (i) Hospital Revenue Bonds (Grace Hospital, Inc.) Series 1996 and (ii) Variable Rate Health Care Facilities Revenue Bonds (Blue Ridge HealthCare System Project) Series 2005B and (b) pay fees and expenses incurred in connection with the issuance of the Bonds; and

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

(a) the Contract of Purchase, dated as of September 23, 2010 (the "Purchase Agreement"), by and among Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc., as underwriters (the "Underwriters"), and the Local Government Commission of North Carolina (the "Local Government Commission"), and accepted by the Commission and approved by the Corporation;

(b) the Trust Agreement, dated as of October 1, 2010 (the "Trust Agreement"), by and between the Commission and U.S. Bank National Association, as

(c) the Loan Agreement, dated as of October 1, 2010 (the “Loan Agreement”), by and between the Commission and the Corporation, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(d) Supplemental Indenture for Obligation No. 7, dated as of October 1, 2010 (“Supplement No. 7”), by and between the Corporation and the Master Trustee named therein;

(e) Obligation No. 7 of the Corporation, dated as of the date of delivery thereof, to be issued by the Corporation to the Commission; and

(f) the Preliminary Official Statement of the Commission, dated September 8, 2010, relating to the Bonds (the “Preliminary Official Statement”).

**WHEREAS**, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the foregoing documents, including the Loan Agreement, Obligation No. 7 and Supplement No. 7; and

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

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

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

**Section 2.** Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of its Health Care Facilities Refunding Revenue Bonds (Blue Ridge HealthCare), Series 2010A, in the aggregate principal amount of \$51,195,000 (the “Bonds”). The Bonds shall mature in such amounts and at such times and shall bear interest at such rates as are set forth in Schedule 1 hereto attached.

**Section 3.** The Bonds shall be issued as fully registered bonds in the denomination of \$5,000 or any whole multiple thereof. Interest on the Bonds shall be payable on January 1, 2011, and thereafter semiannually on each July 1 and January 1 until the Bonds are fully paid. Payments of principal of and interest on the Bonds shall be forwarded by the Bond Trustee to the registered owners of the Bonds in such manner as is set forth in the Trust Agreement.

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

**Section 5.** The proceeds of the Bonds shall be applied as provided in Section 208 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to the Corporation to be used in the manner set forth in the Loan Agreement and the Trust Agreement will accomplish the public purposes set forth in the Act.

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

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

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

**Section 9.** The forms, terms and provisions of Supplement No. 7 and Obligation No. 7 are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications and deletions as the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman, with the advice of counsel, may deem necessary and appropriate; and the execution and delivery of the Trust Agreement pursuant to Section 6 of this Series Resolution shall be conclusive evidence of the approval of Supplement No. 7 and Obligation No. 7 by the Commission.

**Section 10.** The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Underwriters at the price of \$51,031,653.80 (which price represents the \$51,195,000 principal amount of the Bonds, plus net original issue premium of \$229,141.45, and less underwriters' discount of \$392,487.65).

**Section 11.** Upon their execution in the form and manner set forth in the Trust Agreement, the Bonds shall be deposited with the Bond Trustee for authentication, and the Bond Trustee is hereby authorized and directed to authenticate the Bonds and, upon the due and valid execution of the Purchase Agreement, the Trust Agreement, the Loan Agreement, Supplement No. 7 and Obligation No. 7 by the parties thereto, the Bond Trustee shall deliver the Bonds to the Underwriters against payment therefor, subject to the provisions of Section 208 of the Trust Agreement.

**Section 12.** The Commission hereby ratifies the use and distribution of the Preliminary Official Statement in connection with the sale of the Bonds, and the Official Statement (the "Official Statement"), in substantially the form of the Preliminary Official Statement presented at this meeting, with such changes as are necessary to reflect the maturities, sinking fund requirements, redemption provisions, insurance provisions and interest rates of the Bonds, is hereby approved, and the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman is hereby authorized to execute, on behalf of the Commission, the Official Statement in substantially such form, together with such changes, modifications and deletions as any of such persons, with the advice of counsel, may deem appropriate; and such execution shall be conclusive evidence of the approval thereof by the Commission, and the Commission hereby approves and authorizes the distribution and use of copies of the Official Statement, the Trust Agreement, the Loan Agreement, Supplement No. 7 and Obligation No. 7 by the Underwriters in connection with such sale.

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

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

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

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

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

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

Schedule 1

**MATURITY SCHEDULE**

**\$16,255,000 Serial Bonds**

<u>Due January 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$2,445,000	2.50%
2012	1,915,000	3.00
2013	1,975,000	3.00
2014	2,045,000	4.00
2015	2,130,000	4.00
2016	2,215,000	4.00
2017	2,305,000	4.00
2018	395,000	3.50
2019	410,000	3.50
2020	420,000	3.75

**\$14,450,000 4.25% Term Bonds due January 1, 2025**

<u>Due January 1</u>	<u>Sinking Fund Requirement</u>
2021	\$2,180,000
2022	2,875,000
2023	3,000,000
2024	3,130,000
2025*	3,265,000

\*Maturity

**\$4,000,000 4.75% Term Bonds due January 1, 2030**

<u>Due January 1</u>	<u>Sinking Fund Requirement</u>
2026	\$3,415,000
2027	160,000
2028	130,000
2029	140,000
2030*	155,000

\*Maturity

**\$16,490,000 5.00% Term Bonds due January 1, 2036**

<u>Due January 1</u>	<u>Sinking Fund Requirement</u>
2031	\$ 165,000
2032	180,000
2033	195,000
2034	5,055,000
2035	5,310,000
2036*	5,585,000

\*Maturity

Professional Fees Comparison  
Health Care Facilities Refunding Revenue Bonds  
(Blue Ridge HealthCare) Series 2010A

<u>Professional</u>	Fees Estimated In Preliminary Approval <u>Resolution</u>	<u>Current Estimate of Fees</u>
Underwriters' Counsel	\$50,000	\$40,000
Corporation Counsel	\$75,000	\$60,000
Bond Counsel	\$100,000	\$75,000
Accountants	\$30,000	\$20,000
Feasibility	\$10,000	\$15,000

3. **Resolution of the North Carolina Medical Care Commission Approving the Conversion of the North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Bonds (The Presbyterian Home at Charlotte, Inc. Project), Series 2001 to a "Bank-Bought Rate" Mode.** – Remarks were made by John Franklin and Allen Robertson.

**Executive Committee Action:** A motion was made by Dr. Robert Schaaf, seconded by Mr. Charles Frock and unanimously approved with Gerald Cox abstaining from the vote due to ownership of stock in BB& T Capital Markets.

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 Presbyterian Home at Charlotte, Inc. (the “Corporation”) is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina and is a “nonprofit agency” within the meaning of the Act; and

WHEREAS, on September 25, 2001, the Commission issued its Variable Rate Demand Health Care Facilities Revenue Bonds (The Presbyterian Home at Charlotte, Inc. Project), Series 2001 in the aggregate principal amount of \$23,500,000, of which \$11,515,000 aggregate principal amount is outstanding (the “Bonds”), pursuant to a Trust Agreement, dated as of September 1, 2001 (the “Original Trust Agreement”), between the Commission and First-Citizens Bank & Trust Company, succeeded by U.S. Bank National Association, as trustee (the “Trustee”), and loaned the proceeds from the sale of the Bonds to the Corporation pursuant to a Loan Agreement, dated as of September 1, 2001 (the “Original Loan Agreement”), between the Commission and the Corporation; and

WHEREAS, since they were issued, the Bonds have been bearing interest at the Weekly Rate (as defined in the Original Trust Agreement) and are secured by an irrevocable letter of credit (the “Letter of Credit”) issued by First Union National Bank, now known as Wells Fargo Bank, National Association; and

WHEREAS, as an alternative to continuing in the Weekly Rate mode (which requires the support of a letter of credit), Branch Banking and Trust Company (the “Bank”) has offered to purchase the Bonds and hold them for at least seven years at a variable interest rate equal to 68% of one-month LIBOR plus 1.24%, subject to adjustment under certain circumstances; and

WHEREAS, to enable the Bank to purchase and hold the Bonds, the Original Trust Agreement must be amended and restated to add a “Bank-Bought Rate” mode and then the Bonds must be remarketed to the Bank upon conversion to that mode; and

WHEREAS, the conversion of the Bonds to the Bank-Bought Rate mode (the “Conversion”) will be treated as a “reissuance” (i.e., a deemed current refunding) of the Bonds for federal income tax purposes; and

WHEREAS, by a resolution adopted on August 20, 2010, the Commission preliminarily approved the Conversion, subject to compliance by the Corporation with the conditions set forth in such resolution, and the Corporation has complied with such conditions to the satisfaction of the Commission; and

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

- (a) an Amended and Restated Trust Agreement, dated as of September 24, 2010 (the “Trust Agreement”), between the Commission and the Trustee;
- (b) an Amended and Restated Loan Agreement, dated as of September 24, 2010 (the “Loan Agreement”), between the Commission and the Corporation;

(c) an Amended and Restated Tender Agent Agreement, dated as of September 24, 2010 (the “Tender Agreement”), between U.S. Bank National Association, as tender agent (the “Tender Agent”), and the Corporation;

(d) a Guaranty Agreement, dated as of September 24, 2010 (the “Guaranty”), between the Corporation and the Bank, including the form of Reimbursement Note dated September 24, 2010 of the Corporation payable to the Bank (the “Reimbursement Note”);

(e) a Security Agreement, dated as of September 24, 2010 (the “Security Agreement”), between the Corporation and the Bank;

(f) a Negative Pledge Agreement, dated as of September 24, 2010, between the Corporation and the Bank, in connection with individual parcels owned by the Corporation in Mecklenburg County, North Carolina;

(g) a Deed of Trust, Security Agreement and Assignment of Rents, Leases and Profits, dated as of September 24, 2010 (the “Deed of Trust”), from the Corporation to the deed of trust trustee, named therein for the benefit of the Bank, as Collateral Agent under the Intercreditor Agreement described below; and

(h) an Intercreditor Agreement, dated as of September 24, 2010 (the “Intercreditor Agreement,” and collectively with the Guaranty Agreement, the Reimbursement Note, the Security Agreement, the Negative Pledge Agreement and the Deed of Trust, the “Bank Documents”), between the Bank and Wells Fargo Bank, National Association, consented to by the Corporation, and

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

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

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes and approves the Conversion.

Section 3. 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 4. 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 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 5. The forms, terms and provisions of the Tender Agreement and the Bank Documents 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 3 of this Final Resolution shall be conclusive evidence of the approval of the documents listed in this Section by the Commission.

Section 6. Drexdal Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, Steven C. Lewis, Chief of the Construction Section of the Division of Health Service Regulation, and Kathy C. Larrison, Auditor of the Commission, are each hereby appointed a Commission Representative as that term is defined in the Loan Agreement, with full power to carry out the duties set forth therein.

Section 7. 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 Conversion.

Section 8. This Final Resolution shall take effect immediately upon its passage.

Professional Fees Comparison for  
The Presbyterian Home at Charlotte, Inc.  
Series 2001 Conversion

<u>Professional</u>	Fees Estimated In Preliminary Approval Resolution	<u>Actual Fees</u>
Placement Fee	\$25,000	\$25,000
Corporation Counsel	\$30,000	\$32,500
Bond Counsel	\$25,000	\$25,000
Bank Commitment Fee	\$38,181	\$38,181
Bank Counsel	\$20,000	\$28,000

**4. ADJOURNMENT**

There being no further business, the meeting was adjourned at 2:35 p.m.

Respectfully Submitted,

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

Date: September 27, 2010