

**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  
OCTOBER 22, 2010  
11:00 A.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

**Members of the Executive Committee Absent:**

Lucy Hancock Bode, Chairman  
Dr. Robert E. Schaaf

**Members of Staff Present:**

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

**Others Present:**

Alice Adams, Robinson, Bradshaw & Hinson, P.A.  
Richard Marvin, First Tryon Securities  
Christopher McCann, JP Morgan Securities  
Allen Robertson, Robinson, Bradshaw & Hinson, P.A.

**1. Purpose of Meeting**

To authorize the sale of bonds, the proceeds of which are to be loaned to Novant Health, Inc., and to consider resolutions for preliminary approvals for a refunding for Carolina Meadows and The Presbyterian Homes, Incorporated.

**2. Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$264,165,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Novato Health Obligated Group), Series 2010A – Remarks** were made by Chris McCann and Allen Robertson

**Executive Committee Action:** A motion was made by Mr. Charles Frock, seconded by Ms. Mary Piepenbring and unanimously approved with Mr. George Cecil and Mr. Gerald Cox abstaining from the vote.

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

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

WHEREAS, the Parent Corporation has made application to the Commission for a loan for the purpose of providing funds, together with other available funds, to finance the costs of (a) improvements on the main campus of The Presbyterian Hospital, which is located at 200 Hawthorne Lane, Charlotte, North Carolina, including construction and equipping of an approximately 110,506 square-foot, 4-story vertical addition to include 90 patient rooms, a 19-bed cardiac triage unit, classroom space and a public safety office (the “Presbyterian Project”); (b) construction and equipping of a new 50-bed, approximately 194,994 square-foot Forsyth Medical Center - Kernersville, to be located at 1750 Kernersville Medical Parkway, Kernersville, North Carolina, north of I-40, west of Macy Grove Road (the “Kernersville Project”); (c) construction and equipping of a 74-bed, approximately 231,693 square-foot replacement for Brunswick Community Hospital, to be located at 1 Medical Center Drive, Supply, North Carolina, off U.S. Highway 17, near the intersection with Old Ocean Highway (the “Brunswick Project”); (d) medical, computer, office and capital equipment for use at The Presbyterian Hospital, Forsyth Medical Center – Kernersville and Brunswick Community Hospital (collectively with the Presbyterian Project, the Kernersville Project and the Brunswick Project, the “Project”) and (e) certain expenses incurred in connection with the issuance of the Bonds (as defined below) 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 by the Commission on August 13, 2010, has approved the issuance of the Bonds, subject to compliance by the Parent Corporation with the conditions set forth in such resolution, and the Parent Corporation has complied with such conditions to the satisfaction of the Commission; and

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

(a) a Contract of Purchase, dated October 22, 2010 (the "Purchase Agreement"), between the Local Government Commission of North Carolina and J.P. Morgan Securities LLC and the other underwriters named therein (collectively, the "Underwriters"), and approved by the Commission and the Parent Corporation, pursuant to which the Underwriters have agreed to purchase the Bonds on the terms and conditions set forth therein and in the Trust Agreement (as defined below);

(b) a Trust Agreement, dated as of November 1, 2010 (the "Trust Agreement"), between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"), the provisions of which relate to the issuance of and security for the Bonds and include the form of the Bonds;

(c) a Loan Agreement, dated as of November 1, 2010 (the "Loan Agreement"), between the Commission and the Parent Corporation, pursuant to which the Commission will lend the proceeds of the Bonds to the Parent Corporation;

(d) a Supplemental Master Indenture No. 20 dated as of November 1, 2010 ("Supplement No. 20"), among the Parent Corporation, Forsyth Memorial Hospital, Inc. ("Forsyth"), The Presbyterian Hospital ("Presbyterian") and The Bank of New York Mellon Trust Company, N.A., as Master Trustee (the "Master Trustee"), as successor to Wachovia Bank, National Association (the "Original Master Trustee") under the Master Trust Indenture (Amended and Restated), dated as of June 1, 2003 (as supplemented, the "Master Indenture"), among the Parent Corporation, Forsyth, Presbyterian and the Original Master Trustee;

(e) Master Obligation, Series 2010A (the "Master Obligation"), dated as of the date of delivery of the Bonds, to be issued by the Parent Corporation to the Commission; and

(f) a Preliminary Official Statement of the Commission dated October 12, 2010 relating to the Bonds (the "Preliminary Official Statement"); and

WHEREAS, the Commission has determined that the Parent Corporation is financially responsible and capable of fulfilling its obligations under the Loan Agreement, the Master Indenture, Supplement No. 20 and the Master Obligation; 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 Health Care Facilities Revenue Bonds (Novant Health Obligated Group), Series 2010A (the "Bonds") in the aggregate principal amount of \$264,165,000. The Bonds shall mature in such amounts and at such times, be subject to Sinking Fund Requirements and bear interest at such rates as are set forth in Schedule 1 attached hereto.

The Bonds shall be issued as fully registered bonds in the denominations of \$5,000 or any whole multiple thereof. The Bonds shall be issuable in book-entry form as provided in the Trust Agreement. Interest on the Bonds shall be paid on each May 1 and November 1, beginning May 1, 2011, to and including November 1, 2043. Payments of principal of and interest on the Bonds shall be forwarded by the Bond Trustee to the registered owners of the Bonds in such manner as is set forth in the Trust Agreement.

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

Section 4. The proceeds of the Bonds shall be applied as provided in Section 2.08 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds to finance a portion of the cost of the Project 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 other 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 (or any other member of the Commission designated by the Chairman), Secretary or any Assistant Secretary of the Commission are 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 form of the Bonds set forth in the Trust Agreement is hereby approved in all respects, and the Chairman or Vice Chairman (or any other member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute, by manual or facsimile signature as provided in such form of the Bonds, and to deliver to the Bond Trustee for authentication on behalf of the Commission, the Bonds in definitive form, which shall be in substantially the form presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary, appropriate and consistent with the Trust Agreement, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 8. The forms, terms and provisions of Supplement No. 20 and the Master Obligation are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications, insertions and deletions as the Chairman, Vice Chairman (or any other member of the Commission designated by the Chairman), 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 by the Commission shall be conclusive evidence of the approval of the documents listed in this Section by the Commission.

Section 9. The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Underwriters at the purchase price of \$257,573,484.25 (representing the principal amount of the Bonds less net original issue discount of \$4,544,237.00 and less underwriters' discount of \$2,047,278.75).

Section 10. Upon their execution in the form and manner set forth in the Trust Agreement, the Bonds shall be deposited with the Bond Trustee for authentication, and the Bond Trustee is hereby authorized and directed to authenticate the Bonds and, upon the satisfaction of the conditions set forth in Section 2.08 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Underwriters against payment therefor.

Section 11. The Commission hereby approves and ratifies the use and distribution of the Preliminary Official Statement and approves the use and distribution of a final Official Statement (the "Official Statement"), both in connection with the offer and sale of the Bonds. The Chairman, Vice Chairman (or any other member of the Commission designated by the Chairman), Secretary and any Assistant Secretary are hereby authorized to execute, on behalf of the Commission, the Official Statement in substantially the form of the Preliminary Official Statement, together with such changes, modifications and deletions as they, with the advice of counsel, may deem appropriate. Such execution shall be conclusive evidence of the approval thereof by the Commission. The Commission hereby approves and authorizes the distribution and use of copies of the Official Statement, the Trust Agreement, the Loan Agreement, the Master Indenture, Supplement No. 20 and the Master Obligation by the Underwriters in connection with such offer and sale.

Section 12. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as the initial Bond Trustee for the Bonds.

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

Section 14. Drexdal R. 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 15. The Chairman, Vice Chairman (or any other member of the Commission designated by the Chairman), Secretary and any Assistant Secretary of the Commission 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 Official Statement.

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

Schedule 1

Maturity Schedule

\$6,020,000 2010A Serial Bonds

<u>Due November 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2023	\$1,370,000	4.000%
2024	1,240,000	4.100
2025	3,410,000	4.125

\$9,855,000 4.375% Term Bond due November 1, 2030

<u>Due November 1</u>	<u>Sinking Fund Requirement</u>
2026	\$1,600,000
2027	2,920,000
2028	3,025,000
2029	1,130,000
2030	1,180,000

\$17,435,000 5.00% Term Bond due November 1, 2030

<u>Due November 1</u>	<u>Sinking Fund Requirement</u>
2026	\$2,800,000
2027	5,065,000
2028	5,275,000
2029	2,095,000
2030	2,200,000

\$19,375,000 4.625% Term Bond due November 1, 2035

<u>Due November 1</u>	<u>Sinking Fund Requirement</u>
2031	\$3,545,000
2032	3,710,000
2033	3,880,000
2034	4,060,000
2035	4,180,000

\$35,315,000 4.75% Term Bond due November 1, 2040

<u>Due November 1</u>	<u>Sinking Fund Requirement</u>
2036	\$ 4,375,000
2037	3,560,000
2038	2,455,000
2039	2,570,000
2040	22,355,000

\$28,500,000 5.25% Term Bond due November 1, 2040

<u>Due November 1</u>	<u>Sinking Fund Requirement</u>
2037	\$ 1,115,000
2038	2,450,000
2039	2,575,000
2040	22,360,000

\$114,165,000 4.75% Term Bond due November 1, 2043

Due November 1

Sinking Fund Requirement

2041	\$46,950,000
2042	41,450,000
2043	25,765,000

\$33,500,000 5.00% Term Bond due November 1, 2043

Due November 1

Sinking Fund Requirement

2042	\$ 7,730,000
2043	25,770,000

Professional Fees Comparison for  
 Novant Health 2010A Bonds

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Underwriters' discount	\$2,015,000	\$2,047,278.75
Underwriters' counsel	125,000	92,750.00
Accountants	90,000	90,000.00
Corporation counsel	**	60,000.00
Bond counsel	135,000	135,000.00

\*\*There was no separate line item for Corporation counsel in the preliminary approval resolution; however, there was a "miscellaneous expenses" line item in the amount of \$71,500.



3. Carolina Meadows, Chapel Hill, NC – Christopher B. Taylor

**Executive Committee Action:** A motion was made by Mr. George Cecil, seconded by Mr. Gerald Cox and unanimously approved.

**Resolution:** The Commission grants preliminary approval to a project for Carolina Meadows to provide funds, to be used together with other available funds, to effect a conversion of the \$20,110,000 North Carolina Medical Care Commission Health Care Facilities Weekly Adjustable Rate Revenue Bonds, Series 2004 (Carolina Meadows, Inc. Project) dated December 7, 2004, outstanding in the amount of \$17,810,000 from the weekly mode secured by a letter of credit to the Bank Qualified Bond Mode. The conversion is being done in order to negate the risks associated with letter of credit renewal terms and fees. The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued/converted	\$17,810,000
Equity contribution	<u>143,500</u>
<b>Total</b>	<b>\$17,953,000</b>

**ESTIMATED USES OF FUNDS**

Conversion of Series 2004 Bonds	\$17,810,000
Underwriters' Discount/Placement Fee	20,000
Accountants fee	5,000
Corporation counsel	20,000
Bond counsel	25,000
Local Government Commission fee	3,500
Bank commitment fee	35,000
Bank counsel	25,000
Appraisal, phase I, title insurance	<u>10,000</u>
<b>Total</b>	<b>\$17,953,000</b>

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

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance/conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance/conversion of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance/conversion of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided,

however, that the amount set forth above shall not be increased by more than ten percent (10%).

6. The bonds or notes shall be sold/converted in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
8. The borrower will comply with the Commission’s Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC’s as adopted on November 9, 2007.

Based on information furnished by applicant, the project is -

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

**G.S. 105 Community Benefits Percentage- 5.1% results in 100% property tax exemption.**

**Long Term Debt Service Coverage Ratio**

<b>FYE 2010</b>	<b>2.22</b>
<b>FYE 2011</b>	<b>7.01</b>
<b>FYE 2012</b>	<b>10.16</b>
<b>FYE 2013</b>	<b>10.34</b>

**From 2009 Audit**

<b>Excess revenues over (under) expenses</b>	<b>\$1,567,339</b>
<b>Change in unrestricted net assets</b>	<b>\$3,586,799</b>
<b>Change in net assets</b>	<b>\$3,586,799</b>
<b>Net cash provided by operating activities</b>	<b>\$12,135,087</b>
<b>Net increase (decrease) in cash and cash equivalent</b>	<b>\$319,511</b>

4. **The Presbyterian Homes, Inc. - Jamestown - Christopher B. Taylor & Richard Marvin**

**Executive Committee Action:** A motion was made by. Mr. Gerald Cox, seconded by Ms. Mary Piepenbring and unanimously approved.

**Resolution:** The Commission grants preliminary approval to a project for The Presbyterian Homes, Inc. to refund the \$11,090,000 outstanding amount of the \$14,395,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Glenaire Project) Series 1997 Bonds and the \$4,090,000 outstanding amount of the Series 2005B Adjustable Rate Reset Bonds of the \$17,355,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (The Presbyterian Homes Obligated Group) Series 2005 Bonds. The Bonds are being refunded by the issuance of Bank Qualified Bonds to be purchased by First Tennessee Bank and to carry an interest rate of 68% of one month LIBOR plus 1.25% with an initial put period of 7 years. The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of Bank Qualified Bonds to be issued	<u>\$16,000,000</u>
<b>Total Sources</b>	<b>\$16,000,000</b>

**ESTIMATED USES OF FUNDS**

Amount to refund Series 1997 and 2005B Bonds	\$15,854,128
Placement fee	30,000
Accountants fee	15,000
Bond Counsel	35,000
Trustee fee	2,500
Corporation counsel	15,000
Financial advisor	15,000
Bank counsel	10,000
Local Government Commission fee	3,500
Other	<u>19,872</u>
<b>Total Expenditures</b>	<b>\$16,000,000</b>

Tentative approval is given with the understanding that the governing board of The Presbyterian Homes, Inc. accepts the following conditions:

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

5. The Executive Committee of the Commission is delegated the authority to approve the issuance/conversion of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold/converted in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
9. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
10. The borrower will comply with the Commission’s Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC’s as adopted on November 9, 2007.

Based on information furnished by applicant, the project is -

1. Financially feasible	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A
2. Construction and related costs are reasonable	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A

**Community Benefits Percentage under GS-105** **9%**

**2009 Audit Information**

<b>Decrease in Unrestricted Net Assets from Operations</b>	<b>(\$2,143,481)</b>
<b>Increase in Unrestricted Net Assets</b>	<b>\$2,889,745</b>
<b>Increase in Net Assets</b>	<b>\$2,451,587</b>
<b>Net Cash Provided by Operating Activities of Continuing Operations</b>	<b>\$5,124,414</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(\$7,017,767)</b>

**Long Term Debt Coverage Ratio**

<b>2010</b>	<b>1.67</b>
<b>2011</b>	<b>1.68</b>
<b>2012</b>	<b>1.71</b>
<b>2013</b>	<b>1.75</b>

5. **Adjournment**

There being no further business, the meeting was adjourned at 11:30 a.m.

Respectfully submitted,

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Christopher B. Taylor  
Assistant Secretary

