

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
March 3, 2011
11:00 A.M.**

Members of the Executive Committee Present:

Lucy Hancock Bode, Chairman
Dr. George Binder
Gerald P. Cox
Charles T. Frock
Dr. Robert Schaaf

Members of the Executive Committee Absent:

Joseph D. Crocker, Vice-Chairman
Dr. Carl K. Rust

Members of Staff Present:

Drexdal R. Pratt, DHSR Director/MCC Secretary
Christopher B. Taylor, CPA, Assistant Secretary
Alice S. Creech, Bond Program Assistant

Others Present:

Fred Hargett, Chief Financial Officer, Novant Health
Nick Barto, Senior Vice President, Financial Planning & Analysis, Novant Health
Scott Myers, Senior Vice President Corporate Finance, Novant Health

1. To consider a preliminary refunding/conversion of the 2008A, 2008B, and 2008C Novant Health Variable Rate Bonds.
2. **Novant Health, Inc. – Winston-Salem, NC -Christopher B. Taylor, Fred Hargett and Nick Barto**

Executive Committee Action: A motion was made by Mr. Charles Frock, seconded by Mrs. Lucy Bode and unanimously approved with Dr. George Binder, Mr. Gerald Cox and Dr. Robert Schaaf abstaining from the vote.

Resolution: The Commission grants preliminary approval to project for Novant Health, Inc. to provide funds, to be used together with other available funds, to effect a refunding/conversion of the \$195,870,000 (outstanding with an amount of \$183,465,000) North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Refunding Bonds, Series 2008A, 2008B and 2008C from the Weekly Interest Rate Mode with Standby Bond Purchase Agreements with Bank of America, NA (\$70,000,000 Series 2008A), Branch Banking and Trust Company (\$75,000,000 Series 2008B) and Branch Banking and Trust Company (\$50,870,000 Series 2008C) to a Index Interest Rate Mode. The 2008A Bonds will be purchased by Wells Fargo. The 2008B and 2008C Bonds will be purchased by Branch Banking and Trust Company. The trust agreements, loan agreements and supplemental master indentures for each of the Series of Bonds will be amended to allow for the conversion. The transaction is treated as a refunding for federal tax purposes. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Cash & negotiable securities from reserves	\$145,000
Principal amount of Bonds to be refunded/converted	<u>183,465,000</u>
Total Sources	\$183,610,000

ESTIMATED USES OF FUNDS

Refunding/conversion of Series 2008A, 2008B and 2008C Bonds	183,465,000
Corporation counsel	35,000
Bond counsel	75,000
Bank counsel	<u>35,000</u>
Total Uses	\$183,610,000

Tentative approval is given with the understanding that the governing board of The Novant Health, Inc accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.

2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. The borrower will provide the Commission annually a copy of the Advocacy Needs Data Initiative (ANDI) form it files with the North Carolina Hospital Association (NCHA) in accordance with a resolution passed by the Commission on February 9, 2007 adopting the NCHA Community Benefits reporting format and methodology for hospitals reporting to the Commission.
8. All health care facilities and services directly or indirectly owned or controlled by the health care organization, including physician practices, shall be available to Medicare and Medicaid patients with no limitations imposed as a result of the source of reimbursement.
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.

Based on information furnished by applicant, the project is -

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

Information from audited financials FYE 12/31/2009

Operating income	\$73,733,000
Increase in unrestricted net assets	\$255,648,000
Increase in total net assets	\$253,528,000
Net cash provided by operating activities	\$257,517,000
Net increase in cash and cash equivalents	\$637,113,000

From unaudited financial statements 12 months ended December 31, 2010

Operating Income - \$65,413,000
Increase in unrestricted net assets \$132,696,000

Bankers to be involved in transaction:

- (1) Wells Fargo
- (2) Branch Banking & Trust Co.

Forecasted Long Term Debt Service Coverage Ratios

Fiscal Year	Coverage Ratios
2010	3.3
2011	3.8
2012	3.9
2013	4.2
2014	4.4

Community Benefits from ANDI FYE 2009 \$471,224,624

3. **Adjournment**

There being no further business, the meeting was adjourned at 11:15 a.m.

Respectfully submitted,

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