

**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**

**JUNE 16, 2011**

**11:00 A.M.**

**Members of the Executive Committee Present:**

Lucy Hancock Bode, Chairman  
Joseph D. Crocker, Vice-Chairman  
Gerald P. Cox  
Charles T. Frock  
Dr. Carl K. Rust

**Members of the Executive Committee Absent:**

Dr. George A. Binder  
Dr. Robert E. Schaaf

**Members of Staff Present:**

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

**Others Present:**

Alice Pinckney Adams, Robinson Bradshaw & Hinson, P.A.  
Jon Mize, Womble Carlyle Sandridge & Rice, PLLC  
Allen K. Robertson, Robinson Bradshaw & Hinson, P.A.

**1. Purpose of Meeting**

To approve the conversion of the Commission's Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital) Series 2007 to an "Index Interest Rate" and to consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to University Health Systems of Eastern Carolina, Inc. and Pitt County Memorial Hospital, Incorporated.

**2. Resolution of the North Carolina Medical Care Commission Approving the Conversion of the North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital) Series 2007 to an "Index Interest Rate"** - Remarks were made by Allen Robertson.

**Executive Committee Action:** A motion was made by Mr. Gerald Cox, seconded by Dr. Carl Rust 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 and to refund bonds previously issued by the Commission; and

WHEREAS, Iredell Memorial Hospital, 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, on March 15, 2007 and August 1, 2007, the Commission issued its Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital) Series 2007 in the aggregate principal amount of \$39,465,000, of which \$35,000,000 is outstanding (the "Bonds"), pursuant to a Trust Agreement, dated as of March 1, 2007 (the "Original Trust Agreement"), between the Commission and First-Citizens Bank & Trust Company, succeeded by U.S. Bank National Association, as bond trustee (the "Original Bond Trustee"), and loaned the proceeds from the sale of the Bonds to the Corporation pursuant to a Loan Agreement, dated as of March 1, 2007 (the "Original Agreement"), between the Commission and the Corporation; and

WHEREAS, since they were issued, the Bonds have been bearing interest at the Daily Interest Rate (as defined in the Original Trust Agreement), and the Bonds are currently secured by an irrevocable letter of credit (the "Letter of Credit") issued by Wachovia Bank, National Association, succeeded by Wells Fargo Bank, National Association (in such capacity, the "Bank"); and

WHEREAS, as an alternative to renewing the Letter of Credit, the Bank has offered to purchase the Bonds and hold them for two years at a variable interest rate equal to 70% of one-month LIBOR plus 0.80%, 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 an “Index Interest 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 Index Interest 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 May 5, 2011, 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, in connection with the Conversion, the Corporation desires to replace U.S. Bank National Association with Wells Fargo Bank, National Association as bond trustee, tender agent and master trustee, all of which would be accomplished pursuant to the Successor Agreement described below; 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 June 30, 2011 (the “Trust Agreement”), between the Commission and Wells Fargo Bank, National Association, Jacksonville, Florida, as successor bond trustee (in such capacity, the “Bond Trustee”);

(b) an Amended and Restated Loan Agreement, dated as of June 30, 2011 (the “Loan Agreement”), between the Commission and the Corporation;

(c) an Amended and Restated Tender Agent Agreement, dated as of June 30, 2011 (the “Tender Agreement”), among Wells Fargo Bank, National Association, as successor Bond Trustee and successor Tender Agent, and the Corporation;

(d) an Amended and Restated Supplemental Indenture for Obligation No. 1, dated as of June 30, 2011 (“Supplement No. 1”), between the Corporation and Wells Fargo Bank, National Association, as successor master trustee (in such capacity, the “Master Trustee”) under the Master Trust Indenture, dated as of March 1, 2007 (as supplemented, the “Master Indenture”), between the Corporation and First-Citizens Bank & Trust Company, succeeded by U.S. Bank National Association, as master trustee (the “Original Master Trustee”);

(e) Amended and Restated Obligation No. 1, dated as of June 30, 2011 (“Obligation No. 1”), from the Corporation to the Commission;

(f) a Supplemental Indenture for Obligation No. 5, dated as of June 30, 2011 (“Supplement No. 5” and together with Supplement No. 1, the “Supplemental Indentures”), between the Corporation and the Master Trustee;

(g) Obligation No. 5, dated as of June 30, 2011 (“Obligation No. 5” and together with Obligation No. 1, the “Obligations”), from the Corporation to the Bank;

(h) Continuing Covenant Agreement, dated as of June 30, 2011 (the “Continuing Covenant Agreement”), between the Corporation and the Bank; and

(i) Agreement of Resignation, Appointment and Acceptance, dated as of June 30, 2011 (the “Successor Agreement”), among the Corporation, U.S. Bank National Association, Wells Fargo Bank, National Association and the Commission; 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 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 and approves the Conversion.

As set forth in the Original Trust Agreement and the Trust Agreement, the Bonds mature on October 1, 2037 and are subject to the Sinking Fund Requirements set forth in Schedule 1 hereto.

Section 3. The forms, terms and provisions of the Trust Agreement, the Loan Agreement and the Successor 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, the Loan Agreement and the Successor 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 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 5. The forms, terms and provisions of the Tender Agreement, the Continuing Covenant Agreement, the Supplemental Indentures and the Obligations 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. Lucy H. Bode, Chairman of the Commission, Drexdal R. Pratt, Secretary of the Commission, and Christopher B. Taylor, C.P.A., Assistant Secretary 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.

**3. Series Resolution Authorizing the Issuance of North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (University Health Systems of Eastern Carolina), Series 2011 (the "Bonds")** – Remarks were made by Jon Mize.

**Executive Committee Action:** A motion was made by Mr. Joe Crocker, seconded by Mr. Charles Frock, and unanimously approved with Mrs. Lucy Bode and CK Rust 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, University Health Systems of Eastern Carolina, Inc. (the "Parent Corporation") and Pitt County Memorial Hospital, Incorporated (the "Corporation") are each a North Carolina nonprofit corporation and a "non-profit agency" within the meaning and intent of the Act, which operate, by themselves and through controlled affiliates, various health care facilities; and

WHEREAS, the Parent Corporation and the Corporation have made application to the Commission for a loan to be made to the Parent Corporation and the Corporation for the purpose of providing funds, together with any other available funds, to (a) (i) pay the cost of acquiring certain land, constructing various hospital improvements and acquiring and installing various information systems, medical equipment and furnishings and (i) prepay the lease payments on a long-term lease with an option to purchase all of the health care buildings, facilities and

equipment of Beaufort Regional Health System and its affiliates (collectively, the “Project”) and (b) pay certain expenses incurred in connection with the issuance and sale of the Bonds; and

WHEREAS, the Commission has, by resolution duly adopted on May 13, 2011 (the “Commission Resolution”), approved the issuance of the Bonds, subject to compliance with the conditions set forth in such resolution, and the Parent Corporation and the Corporation have complied with such conditions to the satisfaction of the Commission; and

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

(a) Master Trust Indenture (Amended and Restated), dated as of February 1, 2006 (the “Master Indenture”), between the Parent Corporation, the Corporation and First-Citizens Bank & Trust Company (succeeded by U.S. Bank National Association), as trustee (the “Master Trustee”);

(b) Trust Agreement, to be dated as of June 1, 2011 (the “Trust Agreement”), between the Commission and U.S. Bank National Association, as trustee (the “Bond Trustee”), including the form of the Bonds attached thereto;

(c) Loan Agreement, to be dated as of June 1, 2011 (the “Loan Agreement”), among the Parent Corporation, the Corporation and the Commission;

(d) Contract of Purchase, to be dated the date of delivery thereof (the “Contract of Purchase”), between Bank of America, N.A. (the “Bank”) and the Local Government Commission of North Carolina (the “LGC”), as approved by the Commission and the Parent Corporation;

(e) Supplemental Master Trust Indenture No. 19, to be dated as of June 1, 2011 (“Supplemental Indenture No. 19”), among the Parent Corporation, the Corporation and the Master Trustee, including the form of Master Obligation, Series 2011, to be dated June 23, 2011 (the “2011 Master Obligation”), executed and delivered by the Parent Corporation to the Commission and the Bank Terms and Conditions, to be dated as of June 1, 2011, attached thereto; and

(f) Supplemental Master Trust Indenture No. 20, to be dated as of June 1, 2011 (“Supplemental Indenture No. 20”), among the Parent Corporation, the Corporation and the Master Trustee, including the form of Master Obligation, Series 2011-1, to be dated June 23, 2011 (“2011-1 Master Obligation”), executed and delivered by the Parent Corporation to the Bank attached thereto; and

WHEREAS, the Commission has determined that the Parent Corporation and the Corporation are financially responsible and capable of fulfilling their obligations under each of the documents described above to which the Parent Corporation and/or the Corporation are a party; and

WHEREAS, in connection with the issuance of the Bonds, the Parent Corporation and the Corporation propose to designate East Carolina Health – Beaufort, Inc. and Duplin General Hospital, Inc. (collectively, the “New Affiliates”) as Restricted Affiliates pursuant to the terms and provisions of the Master Indenture; and

WHEREAS, the Commission has determined that the public interest will be served by the proposed financing and refinancing 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, BE IT RESOLVED by the Executive Committee of the North Carolina Medical Care Commission as follows:

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

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of the Bonds in the aggregate principal amount not to exceed \$50,000,000.

The Bonds shall mature, subject to prior redemption, on December 1, 2040 and shall initially bear interest at a variable rate of interest based on a percentage of one-month LIBOR plus a spread, as adjusted monthly for changes in one-month LIBOR (an "Index Interest Rate"), all as set forth in the Trust Agreement. For the the initial seven year term of the Bonds ending on June 23, 2018, the Bonds shall bear interest at a rate equal to 65.1% of one-month LIBOR plus the applicable spread of 0.88225%, subject to adjustment as provided in the Trust Agreement. The Bonds shall be initially issued as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 as described in the Trust Agreement. While the Bonds bear interest at the Index Interest Rate, interest on the Bonds shall be payable on the first Business Day of each calendar month, beginning July 1, 2011, until the Initial Index Interest Rate Purchase Date. 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 set forth in the Trust Agreement.

Section 3. The Bonds shall be subject to optional, extraordinary optional and mandatory sinking fund redemption and mandatory tender for purchase and shall be subject to conversion to different interest rate modes, at the times, upon the terms and conditions and, with respect to redemptions and tenders, 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.

Section 5. The forms, terms and provisions of the Loan Agreement and the Trust Agreement are hereby approved in all respects, and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman for such purpose and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute and deliver the Loan Agreement and the Trust 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 or appropriate, including but not limited to changes, modifications and deletions necessary to incorporate the final terms of the Bonds 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 Contract of Purchase are hereby approved in all respects and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman for such purpose is hereby authorized and directed to execute and deliver the Contract of Purchase in substantially the form presented at this meeting, together with such changes, modifications, insertions and deletions as such Chairman, the Vice Chairman or such member of the Commission, with the advice of counsel, may deem necessary or

appropriate, including but not limited to changes, modifications and deletions necessary to incorporate the final terms of the Bonds; 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 as set forth in the Trust Agreement are hereby approved in all respects and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman for such purpose 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 or 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 2011 Master Obligation, the 2011-1 Master Obligation, Supplemental Indenture No. 19 (including Exhibit B - Bank Terms and Conditions) and Supplemental Indenture No. 20 are hereby approved in substantially the forms presented at this meeting, together with such changes, modifications and deletions as the Chairman or Vice Chairman, 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 such documents by the Commission.

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

Section 10. Upon execution of the Bonds 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 compliance with the provisions 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 and Tender Agent for the Bonds.

Section 12. Drexal R. Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, and Kathy C. Larrison, Auditor, are each hereby appointed a Commission Representative (as such term is defined in the Loan Agreement) with full power to carry out the duties set forth therein and in the Trust Agreement.

Section 13. The Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman, the Secretary and the 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 they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Loan Agreement, the Trust Agreement and the Contract of Purchase.

Section 14. 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 15. A comparison of the professional fees as set forth in the Commission Resolution granting preliminary approval of this financing with the actual professional fees incurred in connection with the financing is set forth as Exhibit A hereto.

Section 16. The designation of the New Affiliates as Restricted Affiliates pursuant to the terms and provisions of the Master Indenture is hereby approved.

Section 17. This Series Resolution shall take effect immediately upon its passage.

4. **MCC Closed Executive Committee Session:** A motion was and made by Mr. Gerald Cox and seconded by Mr. Joe Crocker to inter into go into a closed Executive Committee Session. Mr. Drexdal Pratt left the room and the other parties left the call. Ms. Alice Creech stayed to take minutes. Ms. Lucy Bode and Mr. Chris Taylor updated the Executive Committee on the status of the pending case of SearStone (Samaritan Housing Foundation, Inc.). A motion was made by Mr. Joe Crocker to come out of the Executive Session and was seconded by Mr. Gerald Cox.

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, CPA  
Assistant Secretary

**Date: June 16, 2011**

**PROFESSIONAL FEES**

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Accountant/Auditor	\$27,500	\$27,500
Bond Counsel	65,000	65,000
Bank Counsel	50,000	35,000
Combined Group Counsel	40,000	30,000
Financial Advisor	80,000	69,000

**3. Adjournment**

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

Respectfully submitted,

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

Required Redemption of the 2007 Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$1,435,000	2023	\$1,100,000
2009	1,485,000	2024	1,140,000
2010	1,545,000	2025	1,185,000
2011	1,605,000	2026	1,230,000
2012	1,665,000	2027	1,280,000
2013	1,730,000	2028	1,325,000
2014	785,000	2029	1,380,000
2015	815,000	2030	1,430,000
2016	845,000	2031	1,485,000
2017	880,000	2032	1,545,000
2018	910,000	2033	1,605,000
2019	945,000	2034	1,665,000
2020	980,000	2035	1,730,000
2021	1,020,000	2036	1,795,000
2022	1,060,000	2037*	1,865,000

\* Maturity

Professional Fees Comparison for  
Iredell Memorial Hospital, Incorporated  
Series 2007 Conversion

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Bank counsel	\$20,000	\$25,000
Bond counsel	50,000	45,000
Corporation counsel	25,000	25,000

Executive Committee Minutes  
June 16, 2011