

NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

**The North Carolina Medical Care Commission
809 Ruggles Drive
Raleigh, North Carolina**

MINUTES

**CALLED MEETING OF THE EXECUTIVE COMMITTEE
CONFERENCE TELEPHONE MEETING ORIGINATING
FROM THE COMMISSION'S OFFICE
March 13, 2012
11:00 A.M.**

Members of the Executive Committee Present:

Joseph D. Crocker, Vice-Chairman
Dr. George A. Binder
George H.V. Cecil
Dr. Carl K. Rust

Members of the Executive Committee Absent:

Lucy Hancock Bode, Chairman
Albert F. Lockamy
Mary L. Piepenbring

Members of Staff Present:

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

Others Present:

David Kasdin, Citigroup
David Hughes, Vidant Health
Richard Marvin, First Tryon Securities
Jeff Poley, Parker Poe Adams & Bernstein, LLP
Allen Robertson, Robinson Bradshaw & Hinson, PA

1. Purpose of Meeting

1) To consider a refunding of the Series 2002 Bonds for FirstHealth of the Carolinas, (2) to consider a refunding for the Series 2009A Bonds for FirstHealth of the Carolinas, (3) to refund the Series 1998A and the Series 2008C and the 2008E Bonds for Vidant Health, (4) a resolution in connection with the defeasance of the North Carolina Medical Care Commission Health Care Facility Revenue Bonds (Providence Place Retirement Community Nursing Home Project), Series 2001A, (5) to approve the conversion of the Commission’s Health Care Facilities Revenue Refunding Bonds (Duke University Health System) Series 2005A to a “Bank-Bought Index Floating Rate”, and (6) to authorize the sale of bonds, the proceeds of which are to be loaned to Carolina Adventist Retirement Systems, Inc.

2. FirstHealth of the Carolinas, Inc. - Pinehurst - Christopher B. Taylor, Allen Robertson and David Kasdin

Executive Committee Action: A motion was made by Dr. Carl Rust, seconded by Dr. George Binder and unanimously approved with Mr. George Cecil abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for FirstHealth of the Carolinas, Inc. to provide funds, to be used together with other available funds, to refund the \$50,000,000 North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Bonds (FirstHealth of the Carolinas Project) Series 2002 outstanding in the amount of \$29,000,000. The refunding will replace VRDO Bonds with Bank Bought Bonds and extend the one year commitment period associated with the 2002 VRDO’s to a six year holding period for the 2012 Bank Bought Bonds. The refunding will also change the interest rate on the Bonds from a SIFMA basis to a LIBOR basis which will more closely match the basis of the SWAP which partially hedges the Issue. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of Bonds to be issued	\$29,000,000
Corporation equity	<u>188,500</u>
Total Sources	\$29,188,500

ESTIMATED USES OF FUNDS

Corporation counsel	\$35,000
Bond counsel	50,000
Trustee fees	2,500
Financial adviser	55,000
Bank purchaser counsel	35,000
Local Government Commission	8,750
Miscellaneous	<u>2,250</u>
Total Expenditures	\$29,188,500

Tentative approval is given with the understanding that the governing board of FirstHealth of the Carolinas, 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 or conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance or 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 or conversion of bonds for this project and may approve the issuance or conversion 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 or 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. 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 -

- | | | | |
|--|-------------------|------------------|-------------------|
| 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 |

Notes:

A) Financial information from audit FYE 09/30/2011 for FirstHealth of the Carolinas, Inc. and Affiliates

Operating Income	\$10,657,000
Increase (decrease) in Unrestricted Net Assets	\$12,038,000
Increase (decrease) in Net Assets	\$12,605,000
Net Cash provided by Operating Activities	\$59,335,000
Net increase (decrease) in Cash and Cash Equivalents	(\$13,546,000)

B) Community Benefits from ANDI Report FYE 09/30/2011

FirstHealth Moore Regional Hospital	\$25,004,473
Richmond Memorial Hospital	\$ 4,150,918
Montgomery Memorial Hospital	<u>\$ 1,201,152</u>
Total	\$ 30,356,543

C) Financing Participants

Bond Counsel – Robinson Bradshaw & Hinson, PA

Bank - Wells Fargo

Bank Counsel – Parker Poe Adams & Bernstein, LLP

3. **FirstHealth of the Carolinas, Inc. – Pinehurst-** Christopher B. Taylor, Allen Robertson and David Kasdin

Executive Committee Action: A motion was made by Dr. George Binder, seconded by Dr. Carl Rust and unanimously approved with Mr. George Cecil abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for FirstHealth of the Carolinas, Inc. to provide funds, to be used together with other available funds, to refund the \$45,505,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (FirstHealth of the Carolinas Project) Series 2009A outstanding in the amount of \$45,505,000. The Series 2009A Bonds will be redeemed on October 1, 2014 at 100% of the principal amount. The Series 2009A Bonds were issued as a single term bond maturing in 2039 with an interest rate of 6.125% with sinking fund redemptions in 2033-2039. The refunding is projected to result in \$6,100,000 savings (13.40%) in interest expense. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of Bonds to be issued	\$45,000,000
Surplus construction funds from Series 2009A Bonds	8,235,000
Total Sources	\$53,235,000

ESTIMATED USES OF FUNDS

Escrow to refund Series 2009A Bonds	\$52,475,000
Underwriter's discount and counsel (\$40,000)	465,000
Accountants fee	25,000
Corporation counsel	33,000
Bond counsel	65,000
Rating agencies	108,000
Trustee fees	3,500
Printing costs	5,000
Local Government Commission fee	8,750
Financial advisor fee	44,250
Escrow fund verification	2,500
Total Expenditures	\$53,235,000

Tentative approval is given with the understanding that the governing board of FirstHealth of the Carolinas, 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 or conversion of the bonds or notes.

3. Financial feasibility must be determined prior to the issuance or 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 or conversion of bonds for this project and may approve the issuance or conversion 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 or 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. 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 -

- | | | | | | | |
|--|-------------------------------------|-----|--------------------------|----|-------------------------------------|-----|
| 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 |

Notes:

A) Financial information from audit FYE 09/30/2011 for FirstHealth of the Carolinas, Inc. and Affiliates.

Operating Income	\$10,657,000
Increase (decrease) in Unrestricted Net Assets	\$12,038,000
Increase (decrease) in Net Assets	\$12,605,000
Net Cash provided by Operating Activities	\$59,335,000
Net increase (decrease) in Cash and Cash Equivalents	(\$13,546,000)

B) Community Benefits from ANDI Report FYE 09/30/2011

FirstHealth Moore Regional Hospital	\$25,004,473
Richmond Memorial Hospital	\$ 4,150,918
Montgomery Memorial Hospital	<u>\$ 1,201,152</u>
Total	\$30,356,543

C) Financing Participants

Bond Counsel – Robinson Bradshaw & Hinson, PA
Underwriters Counsel - Parker Poe Adams & Bernstein, LLP
Senior Underwriter - Citigroup

4. **University Health Systems of Eastern Carolina, Inc. - d/b/a Vidant Health Greenville** - Christopher B. Taylor

Executive Committee Action: A motion was made by Mr. George Cecil, seconded by Dr. Carl Rust and unanimously approved.

Resolution: The Commission grants preliminary approval to a project for University Health Systems of Eastern Carolina, Inc. (Vidant Health) to provide funds, to be used together with other available funds, to refund the (1) the \$207,170,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Pitt County Memorial Hospital) Series 1998A outstanding in the amount of \$7,570,000, (2) the North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (University Health Systems of Eastern Carolina) \$74,455,000 Series 2008C outstanding in the amount of \$73,070,000 and (3) the North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (University Health Systems of Eastern Carolina) \$22,475,000 Series 2008E-1 and \$55,425,000 Series 2008E-2 outstanding in the amount of \$77,130,000. The Bonds are being refunded in order to achieve debt service savings for which the estimated net present value is \$14,399,000. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of Bonds to be issued	\$158,640,000
Original Issue Premium	7,287,991
Release of Debt Service Reserve Fund from 2008C and 2008E Bonds	<u>15,020,000</u>
Total Sources	\$180,947,991

ESTIMATED USES OF FUNDS

Amount to refund Series 1998A Bonds	\$7,570,000
Escrow to refund Series 2008C Bonds and Series 2008EBonds	171,606,113
Underwriter's discount and counsel (\$75,000) (\$7.97 per \$1,000 Bonds)	1,264,800
Accountants fee	30,000
Corporation counsel	50,000
Bond counsel	95,000
Rating agencies	152,000
Trustee fees	3,000
Printing costs	5,000
Financial advisor fee	137,000
Local Government Commission fee	8,750
Escrow verification agent	5,000
Blue Sky Filing	2,000
Miscellaneous	<u>19,328</u>
Total Expenditures	\$180,947,991

Tentative approval is given with the understanding that the governing board of University Health Systems of Eastern Carolina, Inc. (Vidant Health) 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 or conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance or 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 or conversion of bonds for this project and may approve the issuance or conversion 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 or 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. 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 -

- | | | | |
|--|-------------------|------------------|-------------------|
| 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 |

Notes:

A) Financial information from audit FYE 09/30/2011

Operating Income	\$90,558,000
Increase (decrease) in Net Assets	\$68,237,000
Net Cash provided by Operating Activities	\$150,762,000
Net increase (decrease) in Cash and Cash Equivalents	\$13,662,000

B) Community Benefits from ANDI Report FYE 09/30/2011 **\$176,408,643**

C) Financing Participants

Citigroup –Senior Manager
Bond Counsel-Womble Carlyle Sandridge & Rice, PLLC

D) Long Term Debt Service Ratios

Actual	FYE 9/30/2011	4.37
Forecasted	FYE 9/30/2012	4.56
	FYE 9/30/2013	5.24
	FYE 9/30/2014	5.66

5. **Resolution Approving Certain Matters Relating to the North Carolina Medical Care Commission’s Health Care Facility Revenue Bonds (GNMA Collateralized-Providence Place Retirement Community Nursing Home Project), Series 2001A –**
 Remarks were made by Jeff Poley.

Executive Committee Action: A motion was made by Dr. Carl Rust, seconded by Dr. George Binder 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 has previously issued its North Carolina Medical Care Commission Health Care Facility Revenue Bonds (GNMA Collateralized-Providence Place Retirement Community Nursing Home Project), Series 2001A (the “*Bonds to be Refunded*”) in the original principal amount of \$11,235,000; and

WHEREAS, the Commission loaned the proceeds of the Bonds to be Refunded to PPRC Nursing Home, Inc. (the “*Corporation*”); and

WHEREAS, the Corporation desires to refund the Bonds to be Refunded; and

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

a Letter of Instructions (the “*Letter of Instructions*”) to be executed by the Commission and the Corporation and delivered to U.S. Bank National Association, as trustee for the Bonds to be Refunded; and

a draft copy of the verification report of The Law Offices of Thomas Slattery, verifying the amounts deposited into the trust agreement relating to the Bonds to be Refunded, together with other funds, are sufficient to defease the Bonds to be Refunded.

WHEREAS, the Corporation has requested the Commission’s execution of the Letter of Instructions in order to expedite the process of refunding the Bonds to be Refunded and the Commission desires to refund the Bonds to be Refunded;

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

The forms, terms and provisions of the Letter of Instructions 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 such Letter of Instructions 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 and appropriate, including but not limited to changes, modifications and deletions necessary to incorporate the final terms of the refunding as shall be necessary; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

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 refunding of the Bonds to be Refunded.

This resolution shall take effect immediately upon its passage.

6. **Resolution of the North Carolina Medical Care Commission Approving the Conversion of the North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (Duke University Health System) Series 2005A to a “Bank-Bought Index Floating Rate”** - Remarks were made by Allen Robertson.

Executive Committee Action: A motion was made by Dr. George Binder, seconded by Mr. George Cecil 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, Duke University Health System, 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 “non-profit agency” within the meaning of the Act; and

WHEREAS, the Commission has previously issued its Health Care Facilities Revenue Refunding Bonds (Duke University Health System) Series 2005A in the aggregate principal amount of \$107,380,000, all of which aggregate principal amount is outstanding (the “Bonds”), pursuant to an Amended and Restated Trust Agreement dated as of August 21, 2009 (the “Existing Trust Agreement”) between the Commission and The Bank of New York Mellon Trust Company, N.A., as trustee, and loaned the proceeds from the sale of the Bonds to the Corporation pursuant to a Loan Agreement dated as of May 1, 2005, as amended by a First Amendment thereto dated as of August 21, 2009 (as amended, 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 Interest Rate (as defined in the Existing Trust Agreement) and have been supported by a Liquidity Facility (as defined in the Existing Trust Agreement) from Bank of America, N.A.; and

WHEREAS, JPMorgan Chase Bank, National Association (the “Bank Holder”) has offered to purchase and hold the Bonds for a holding period extending to the final maturity date of the Bonds on June 1, 2028 at a variable interest rate equal to 74% of one-month LIBOR plus 1.00%, subject to adjustment under certain circumstances; and

WHEREAS, to enable the Bank Holder to purchase and hold the Bonds, the Existing Trust Agreement must be amended and restated to add a “Bank-Bought Index Floating Rate”

mode and then the Bonds must be remarketed to the Bank Holder upon conversion to that mode; and

WHEREAS, the conversion of the Bonds to the Bank-Bought Index Floating 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 February 28, 2012, 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) a Second Amended and Restated Trust Agreement dated as of March 22, 2012 (the “Trust Agreement”), between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”), securing the Bonds;

(b) an Amended and Restated Loan Agreement dated as of March 22, 2012 (the “Loan Agreement”), between the Commission and the Corporation, related to the Bonds;

(c) an Amended and Restated Supplemental Indenture for Obligation No. 17 dated as of March 22, 2012 (“Supplement No. 17”), between the Corporation and The Bank of New York Mellon Trust Company, N.A., in its capacity as master trustee (the “Master Trustee”), under the Master Trust Indenture dated as of April 13, 1999 (as supplemented, the “Master Indenture”), between the Corporation, Durham Therapies, Incorporated and The Bank of New York (the “Original Master Trustee”);

(d) Amended and Restated Obligation No. 17, dated as of March 22, 2012 (“Obligation No. 17”) from the Corporation to the Commission, and the Assignment of Obligation No. 17 from the Commission to the Bond Trustee;

(e) a Second Amended and Restated Tender Agent Agreement dated as of March 22, 2012 (the “Tender Agreement”), among the Bond Trustee, the Corporation and The Bank of New York Mellon Trust Company, N.A., as tender agent (the “Tender Agent”), related to the Bonds;

(f) a Continuing Covenants Agreement dated as of March 22, 2012 (the “Covenants Agreement”) between the Corporation and the Bank Holder;

(g) a Supplemental Indenture for Obligation No. 32 dated as of March 22, 2012 (“Supplement No. 32” and, together with Supplement No. 17, the “Supplements”), between the Corporation and the Master Trustee, under the Master Indenture; and

(h) Obligation No. 32, dated as of March 22, 2012 (“Obligation No. 32” and, together with Obligation No. 17, the “Obligations”), from the Corporation to the Bank Holder;

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 Existing Trust Agreement and the Trust Agreement, the Bonds mature on June 1, 2028 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 and the Loan 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 Trust Agreement and the Loan Agreement in substantially the forms 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 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 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 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 of the Supplements, the Obligations, the Tender Agreement and the Covenants Agreement 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 6. Lucy H. Bode, Chairman of the Commission, Drexdal R. Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, and

Kathy C. Larrison, Auditor to 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 (or any other member of the Commission designated by the Chairman), Secretary and any Assistant Secretary of the Commission are each 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.

Schedule 1

Required Redemption of the Series 2005A Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2016	\$6,765,000	2023	\$ 7,155,000
2017	7,295,000	2024	9,690,000
2018	7,640,000	2025	10,050,000
2019	6,210,000	2026	10,435,000
2020	6,450,000	2027	10,830,000
2021	6,685,000	2028*	11,240,000
2022	6,935,000		

* Maturity

Professional Fees Comparison for
 Duke University Health System, Inc.
 Series 2005A Conversion

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Bank counsel	\$42,500	\$42,500
Bond counsel	\$75,000*	\$55,000
Corporation counsel	\$21,000	\$25,350

- Bond counsel fee covers 2005A Conversion and amendments to 2005B and 2005C approved in a separate resolution.

7. **Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$13,045,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue and Revenue Refunding Bonds (Carolina Adventist Retirement Systems), Series 2012** – Remarks were made by Richard Marvin and Allen Robertson.

Executive Committee Action: A motion was made by Dr. George Binder, seconded by Mr. George Cecil and unanimously approved with Dr. Carl 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 (including retirement facilities); and

WHEREAS, Carolina Adventist Retirement Systems, 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, the Corporation has made application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (1) refund a portion of an existing taxable bank loan (the “Prior Loan”), the proceeds of which were used to refinance a portion of the costs of acquiring, constructing, renovating and equipping the Corporation’s retirement facilities, including (a) the construction and equipping of the assisted living facility and a wellness center at the Pisgah Valley Retirement Community, located at 102 Holcombe Cove Road, Candler, Buncombe County, North Carolina and (b) the construction and equipping of a skilled nursing facility and a 24-unit independent living apartment building at the Winslow facility, located in Elizabeth City, Pasquotank County, North Carolina at 1075 U.S. Highway 17 South and 1079 U.S. Highway 17 South, respectively (collectively, the “Prior Project”); (2) pay, or reimburse the Corporation for paying, a portion of the cost of acquiring, constructing and equipping a new approximately 66,000 square-foot, 118-bed skilled nursing facility to replace the existing skilled nursing facility at the Pisgah Valley Retirement Community, located at 95 Holcombe Cove Road, Candler, Buncombe County, North Carolina (the “2012 Project” and, collectively with the Prior Project, the “Project”); (3) pay interest accruing on the new money portion of the Bonds for approximately 13 months; and (4) pay certain expenses incurred in connection with the 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 18, 2011, 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, 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, to be dated 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;

(b) a Trust Agreement, dated as of March 1, 2012 (the "Trust Agreement"), between the Commission and U.S. Bank National Association, as bond trustee (the "Bond Trustee"), the provisions of which relate to the issuance of and security for the Bonds and includes the forms of the Bonds;

(c) a Loan Agreement, dated as of March 1, 2012 (the "Loan Agreement"), between the Commission and the Corporation, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(d) a Master Trust Indenture, dated as of March 1, 2012 (as supplemented, the "Master Indenture"), between the Corporation and U.S. Bank National Association, as master trustee (the "Master Trustee");

(e) a Supplemental Indenture for Obligation No. 1, to be dated the date of delivery of the Bonds ("Supplement No. 1"), between the Corporation and the Master Trustee;

(f) Obligation No. 1, to be dated the date of delivery of the Bonds ("Obligation No. 1"), from the Corporation to the Commission;

(g) a Supplemental Indenture for Obligation No. 2, dated as of March 1, 2012 ("Supplement No. 2," and together with Supplement No. 1, the "Supplemental Indentures"), between the Corporation and the Master Trustee;

(h) Obligation No. 2, to be dated the date of delivery of the Bonds ("Obligation No. 2," and together with Obligation No. 1, the "Obligations") from the Corporation to the Bank;

(i) two Deeds of Trust, each dated as of March 1, 2012 (collectively, the "Corporation Deeds of Trust"), from the Corporation to the deed of trust trustee named therein for the benefit of the Master Trustee;

(j) an Assignment of Contracts, dated as of March 1, 2012 (the "Assignment of Contracts"), between the Corporation and the Master Trustee; and

(k) a Covenant and Loan Agreement, dated as of March 1, 2012 (the "Covenant Agreement), between the Corporation and the Bank; 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 and the Obligations; 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 and Revenue Refunding Bonds (Carolina Adventist Retirement Systems Project), Series 2012 (the "Bonds"), in the aggregate principal amount of \$13,045,000. The Bonds shall mature on April 1, 2037 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. During the initial Bank-Bought Rate Period (which is ten years) the Bonds will bear interest at 78% of one-month LIBOR plus 1.42%, subject to adjustment under certain circumstances.

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 refund the Prior Loan, finance a portion of the costs of the 2012 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 Corporation Deeds of Trust, the Assignment of Contracts and the Covenant Agreement 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 for the Bonds, with Cede & Co., a nominee thereof, being the initial Securities Depository Nominee and registered owner of the Bonds.

Section 13. Drexal Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, Steven 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 14. 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 and the Purchase Agreement.

Section 15. This Series Resolution shall take effect immediately upon its passage.

Schedule 1

<u>Due April 1</u>	<u>Sinking Fund Requirement</u>	<u>Due April 1</u>	<u>Sinking Fund Requirement</u>
2016	\$235,000	2027	\$ 585,000
2017	360,000	2028	600,000
2018	360,000	2029	625,000
2019	410,000	2030	720,000
2020	420,000	2031	665,000
2021	420,000	2032	700,000
2022	420,000	2033	710,000
2023	550,000	2034	780,000
2024	525,000	2035	760,000
2025	550,000	2036	800,000
2026	605,000	2037*	1,245,000

* Maturity

Professional Fees Comparison for
Carolina Adventist Retirement Systems, Inc.

<u>Professional</u>	Fees Estimated In Preliminary Approval <u>Resolution</u>	<u>Actual Fees</u>
Accountants/Agreed upon procedures	\$15,000	\$ 8,000
Bank Commitment Fee	30,000	26,090
Bank Counsel	42,500	42,500
Bond Counsel	60,000	60,000
Corporation Counsel	15,000	35,000
Financial advisor	30,000	30,000
Swap advisor	NA	18,000

8. Adjournment

There being no further business, the meeting was adjourned at 11:35 a.m.

Respectfully submitted,

Christopher B. Taylor, CPA
Assistant Secretary

