

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
OCTOBER 11, 2013
11:00 A.M.**

Members of the Executive Committee Present:

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

Members of the Executive Committee Absent:

Lucy Hancock Bode, Chairman

Members of Staff Present:

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

Others Present:

Kristine Flynn, Hawkins Delafield & Wood
John Franklin, BB&T Capital Markets
Jeff Newhams, Bank of America Merrill Lynch
Jeff Poley, Parker Poe Adams & Bernstein, LLP
Victoria White, BB&T Capital Markets

1. **Purpose of Meeting.**

To authorize the sale of bonds, the proceeds of which are to be loaned to Aldersgate United Methodist Retirement Community, Inc. and to authorize and approve the distribution of a Remarketing Circular relating to and in connection with the remarketing of the North Carolina Medical Care Commission Health System Revenue Bonds, Catholic Health East Issue, Series 2008.

2. **Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$38,025,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (Aldersgate) Series 2013A** – Remarks were made by John Franklin and Jeff Poley.

Executive Committee Action: A motion was made by Ms. Mary Piepenbring, seconded by Mr. Al Lockamy 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 to refund bonds previously issued by the Commission; and

WHEREAS, Aldersgate United Methodist Retirement Community, 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 Corporation has made application to the Commission for a loan for the purpose of providing funds, together with other available funds, to refund (i) North Carolina Medical Care Commission Retirement Facilities Revenue Bonds (Aldersgate), Series 2009, of which approximately \$28,778,100 principal amount is currently outstanding (the “*2009 Bonds*”) and (ii) North Carolina Medical Care Commission Retirement Facilities Revenue Bonds (Aldersgate), Series 2010, of which approximately \$4,816,100 principal amount is currently outstanding (the “*2010 Bonds*”) and, together with the 2009 Bonds, the “*Refunded Bonds*”; and

WHEREAS, the Commission has determined that the public will best be served by the proposed refunding and, by a resolution adopted by the Commission on May 29, 2013, 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 Trust Agreement, dated as of October 1, 2013 (the “*Trust Agreement*”), between the Commission and The Bank of New York Mellon Trust Company, as bond trustee (the “*Bond Trustee*”), the provisions of which relate to the issuance of and security for the Bonds and includes the form of the Bonds;

(b) a Loan Agreement, dated as of October 1, 2013 (the “*Loan Agreement*”), between the Commission and the Corporation pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(c) a Supplemental Indenture for Obligation No. 1, dated as of October 1, 2013, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “*Master Trustee*”) under the Master Trust Indenture, dated as of October 1, 2013 (the “*Master Indenture*”), between the Corporation and the Master Trustee;

(d) Obligation No. 1, dated as of the date of issuance of the Bonds (the “*Obligation*”), to be issued by the Corporation to the Commission;

(e) a Deed of Trust, dated as of October 1, 2013 (the “*Deed of Trust*”), from the Corporation to the trustee named therein for the benefit of the Master Trustee;

(f) a Contract of Purchase, dated October 11, 2013 (the “*Purchase Agreement*”), between the Local Government Commission of North Carolina and BB&T Securities, LLC, t/a BB&T Capital Markets on its own behalf and on behalf of and Davenport & Company (the “*Underwriters*”), and approved by the Commission and the 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);

(g) a Preliminary Official Statement of the Commission relating to the Bonds (the “*Preliminary Official Statement*”).

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Loan Agreement, the Master Indenture, the Supplement 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 Refunding Bonds (Aldersgate) Series 2013A (the “*Bonds*”), in the aggregate principal amount of \$38,025,000. The Bonds shall mature in such amounts and at such times and shall bear interest at such rates as are set forth in **Schedule I** attached hereto. The Bonds designated as Term Bonds shall be subject to the Sinking Fund Requirements set forth in **Schedule I** 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 January 1 and July 1, beginning January 1, 2014, to and including July 1, 2035. 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 for a loan to (i) refund the Refunded Bonds, (ii) fund the Debt Service Reserve Fund (as hereinafter defined) so that the amount on deposit in such fund is equal to the Debt Service Reserve Fund Requirement (as defined in the Master Indenture described below) and (iii) pay certain expenses incurred in connection with the issuance of the Bonds.

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 form of the Bonds set forth in the Trust Agreement is 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 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 the Master Indenture, the Supplement, the Obligation and the Deed of Trust 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 in awarding the Bonds to the Underwriters at the purchase price of \$36,900,403.05 (representing the principal amount of the Bonds, plus net original issue discount of \$459,159.45 and less underwriters' discount of \$665,437.50).

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 sale of the Bonds. The Chairman, Vice Chairman, Secretary or any Assistant Secretary (or any member of the Commission designated by the Chairman) is 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, the Supplement, the Obligation, and the Deed of Trust by the Underwriters in connection with such 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. 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 and Crystal Watson-Abbott, both Auditors 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 15. 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, the Purchase Agreement and the Official Statement.

Section 16. A comparison of the professional fees as set forth in the resolution of the Executive Committee of the Commission granting preliminary approval of this financing with the actual professional fees (exclusive of out-of-pocket expenses) incurred in connection with the financing is set forth as Exhibit A hereto.

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

SCHEDULE I

MATURITY SCHEDULE

SERIAL BONDS

<u>DUE JULY 1</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2014	\$ 935,000	2.00%
2015	1,385,000	3.00
2016	1,425,000	4.00
2017	1,480,000	4.00

SINKING FUND REQUIREMENTS FOR TERM BONDS

Term Bond Due July 1, 2023; Interest Rate of 5.125%

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2018	\$1,540,000	2021	\$1,785,000
2019	1,620,000	2022	1,875,000
2020	1,695,000	2023*	1,975,000

* Maturity.

Term Bond Due July 1, 2035; Interest Rate of 6.25%

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2024	\$2,075,000	2030	\$2,985,000
2025	2,205,000	2031	3,175,000
2026	2,340,000	2032	360,000
2027	2,490,000	2033	385,000
2028	2,645,000	2034	405,000
2029	2,810,000	2035*	435,000

* Maturity.

**PROFESSIONAL FEES COMPARISON FOR
ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(EXCLUSIVE OF EXPENSES)**

PROFESSIONAL	FEES ESTIMATED IN PRELIMINARY APPROVAL RESOLUTION	ACTUAL FEES
Underwriters' discount	\$605,463	\$605,438
Accountants	\$10,000	\$10,000
Bond counsel	\$75,000	\$80,000
Corporation counsel	\$20,000	\$20,000
Underwriters' counsel	\$50,000	\$60,000

3. **Resolution of the North Carolina Medical Care Commission Authorizing the Distribution of a Remarketing Circular Relating to and in Connection with the Remarketing of the North Carolina Medical Care Commission's Outstanding Health System Revenue Bonds, Catholic Health East Issue, Series 2008 (the "Bonds")** – Remarks were made by Kristine Flynn and Jeff Newhams.

Executive Committee Action: A motion was made by Mr. George Cecil, seconded by Dr. George Binder 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 to refund bonds previously issued by the Commission; and

WHEREAS, Catholic Health East (the "Corporation") is a Pennsylvania nonprofit corporation and is the sole member of Saint Joseph of the Pines, Inc. (the "Project User"), a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina, and the Corporation and the Project User are each a "non-profit agency" within the meaning of the Act; and

WHEREAS, the Commission has issued the Bonds and loaned the proceeds thereof to the Corporation and the Corporation has applied the proceeds thereof as follows: (1) to current refund the Commission's Health System Revenue Bonds, Catholic Health East Issue, Series 1998D (the "1998D Bonds"), and (2) pay certain expenses incurred in connection with the issuance of the Bonds by the Commission. The proceeds of the 1998D Bonds were used for the purpose of providing funds to finance and refinance the costs of (a) the acquisition, construction and improvement of the Project User's facilities, including the primary continuing care retirement community and campus thereof and medical and related equipment thereon and ancillary facilities related thereto, and (b) paying costs of issuance with respect to the 1998D Bonds; and

WHEREAS, the Corporation is a member of an obligated credit group under and pursuant to a Master Trust Indenture, dated as of October 3, 2013, as may be amended and supplemented from time to time (the "Master Indenture"), by and among the Corporation, CHE Trinity Inc., an Indiana nonprofit corporation, Trinity Health Corporation, an Indiana nonprofit corporation, and any additional members from time to time of the obligated group under the Master Indenture (the "Obligated Group") and The Bank of New York Mellon Trust Company, N.A., as master trustee; and

WHEREAS, the Bonds are secured by a note of the Obligated Group issued under the Master Indenture and designated as the CHE Trinity Health Obligated Group, Obligation 2013N (2008 Saint Joseph of the Pines); and

WHEREAS, the Bonds currently bear interest at a Weekly Rate and constitute variable rate demand obligations subject to optional and mandatory tender upon the terms and conditions set forth in the Bond Indenture pursuant to which the Bonds have been issued (the "Bond Indenture"); and

WHEREAS, the payment of principal of and interest on the Bonds, including payment of the purchase price of the Bonds upon any tender thereof in accordance with the Bond Indenture, is currently secured by an irrevocable direct pay letter of credit (the "Letter of Credit") issued by JPMorgan Chase Bank, National Association; and

WHEREAS, the Bond Indenture provides for the voluntary termination by the Corporation of the Letter of Credit and further provides that the Corporation can elect to provide self-liquidity for payment of the Bonds in lieu of the Letter of Credit or any other third party liquidity support for payment of the Bonds; and

WHEREAS, the Corporation has determined to terminate the Letter of Credit to be effective on or about October 30, 2013 and from and after such date, the Corporation and the Obligated Group have elected to provide self-liquidity for the payment of the Bonds, including the payment of the purchase price of the Bonds upon tender thereof, all in accordance with the Bond Indenture; and

WHEREAS, pursuant to the terms of the Bond Indenture, the Bonds will be subject to mandatory tender and remarketing on the effective date of the termination of the Letter of Credit (the “Mandatory Tender Date”); and

WHEREAS, the Corporation and the Obligated Group have caused to be prepared a Remarketing Circular (the “Remarketing Circular”) to be used in connection with the remarketing of the Bonds on the Mandatory Tender Date; and

WHEREAS, there has been presented to the Commission at this meeting, a draft copy of the Remarketing Circular;

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

- (i) Capitalized words and terms used in this Resolution and not defined herein shall have the same meanings in this Resolution as such words and terms are given in the Master Indenture, the Bond Indenture and the Loan Agreement relating to the Bonds.
- (ii) The Commission hereby approves and authorizes the use and distribution of the Remarketing Circular in connection with the remarketing of the Bonds, in substantially the form thereof as presented at this meeting, with such changes, modifications and deletions as the Assistant Secretary, with the advice of bond counsel, may deem appropriate or necessary. The Chairman, Vice Chairman, Secretary or any Assistant Secretary (or any member of the Commission designated by the Chairman) is hereby authorized to execute, on behalf of the Commission, the Remarketing Circular.
- (iii) 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 bond counsel, may deem necessary or appropriate to effect the remarketing of the Bonds in accordance with the Bond Indenture.
- (iv) This Resolution shall take effect immediately upon its passage.

4. Adjournment

There being no further business, the meeting was adjourned at 11:22 A.M.

Respectfully submitted,

Christopher B. Taylor, CPA
Assistant Secretary

