

STATE OF NORTH CAROLINA
NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

MINUTES

CALLED MEETING OF THE EXECUTIVE COMMITTEE OF THE COMMISSION
CONFERENCE TELEPHONE MEETING ORIGINATING
FROM THE OFFICES OF THE COMMISSION
JUNE 20, 2017
2:00 P.M.

Members of the Commission Present:

Mr. Joseph D. Crocker, Vice-Chairman
Mr. Charles H. Hauser
Mrs. Eileen C. Kugler
Dr. Robert E. Schaaf
Dr. Carl K. Rust, II
Paul M. Wiles

Members of the Commission Absent:

Dr. John A. Fagg, Chairman

Members of Staff Present:

Crystal Watson-Abbott, Auditor
Kathy C. Larrison, Auditor
Alice S. Creech, Executive Assistant

Others Present:

Dr. Devdutta G. Sangvai, NC Medical Care Commission Member
Charles Ayscue, Mission Hospital
Paul Billow, Womble Carlyle Sandridge & Rice, LLP
Jon Mize, Womble Carlyle Sandridge & Rice, LLP
David O'Connor, CaroMont Health
Shari Reese, CaroMont Health
Frank Chatman, Wells Fargo
Robert Hobson, Wells Fargo
Glenn Thomson, Alston & Bird, LLP

1. **Purpose of Meeting**

To consider for approval the following resolutions: (1) Resolution authorizing a Supplement to the Official Statement for forward delivery bonds, the proceeds of which will be loaned to Mission Health System, Inc., (2) Mission Health reminders and updates, (3) Brief Explanation as to why the Mission Health Series 2017 was structured as a Forward Delivery Bond Issue, (4) Mission Health Bond Sale Approval, (5) Mission Health Exhibit A - MCC Executive Committee Minutes Excerpt from August 19, 2016, (6) CaroMont Conversion Memorandum, and (7) Resolution approving the conversion of CaroMont's Series 2003 Bonds.

2. **Resolution Authorizing the Use and Distribution of a Supplement to the Official Statement relating to \$100,285,000 North Carolina Medical Care Commission Health System Revenue Refunding Bonds (Mission Health Combined Group), Series 2017 (the "Bonds").**

Remarks were made by Mr. Charles Ayscue, Mr. Paul Billow, Mr. Charles Hauser and Mr. Robert Hobson.

Executive Committee Action: Motion was made by Mrs. Kugler to approve the distribution of a Supplement to the Official Statement, seconded by Mr. Crocker, and unanimously approved with Dr. Schaaf and Mr. Wiles recusing themselves 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, Mission Health System, Inc. (the "Parent Corporation") is a private, nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina which owns and operates, by itself and through controlled affiliates, various health care facilities; and

WHEREAS, pursuant to a series resolution adopted by the Executive Committee of the Commission on August 19, 2016 attached as Exhibit A hereto (the "Prior Resolution"), the Commission authorized the issuance of its \$100,285,000 North Carolina Medical Care Commission Health System Revenue Refunding Bonds (Mission Health Combined Group), Series 2017 (the "Bonds"), the proceeds of which are to be loaned to the Parent Corporation for the purpose of providing funds, together with other available funds, to (a) refund a portion of the Commission's outstanding North Carolina Medical Care Commission Health System Revenue Bonds (Mission Health Combined Group), Series 2007, dated January 31, 2007, and (b) pay certain fees and expenses incurred in connection with the authorization, sale and issuance of the Bonds; and

WHEREAS, pursuant to the authority granted by the Prior Resolution, the Commission executed and delivered a Forward Delivery Contract of Purchase, dated August 19, 2016 (the "Contract of Purchase"), between the North Carolina Local Government Commission and Wells Fargo Securities, LLC, on behalf of itself and Merrill Lynch, Pierce, Fenner & Smith Incorporated (collectively, the "Underwriters"), and approved by the Commission and the Parent Corporation; and

WHEREAS, the Contract of Purchase provides that the Bonds will be issued on July 13, 2017 and that a supplement to the Official Statement (as defined in the Prior Resolution) will be prepared and distributed prior to the issuance of the Bonds to update certain information included in the Official Statement regarding the Commission, the Parent Corporation and the health care facilities operated by the Parent Corporation and its affiliates; and

WHEREAS, there has been presented at this meeting a draft of the Supplement to the Official Statement, dated the date of delivery thereof (the "Supplement"), supplementing the Official Statement;

NOW THEREFORE, BE IT RESOLVED by the Executive Committee of the North Carolina Medical Care Commission as follows:

Section 1. The Commission hereby authorizes the use and distribution of the Supplement by the Underwriters, and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman for such purpose is hereby authorized to execute and deliver, on behalf of the Commission, the Supplement in substantially such form, together with such changes, modifications and deletions as the Chairman, the Vice Chairman or such member of the Commission, with the advice of counsel, may deem necessary or appropriate; and such execution and delivery shall be conclusive evidence of the approval thereof by the Commission.

Section 2. The Commission hereby ratifies and affirms all findings, approvals and authorizations set forth the Prior Resolution as if made on the date hereof.

Section 3. This resolution shall take effect immediately upon its adoption.

3. Mission Health - Series 2017 Forward Delivery Bonds \$100,285,000

REMINDERS:

1. Preliminary approval was granted 7/22/2016 by the following MCC Executive Committee Members:
 - a. John A. Fagg, MD, Chairman
 - b. Joseph D. Crocker, Vice-Chairman
 - c. Charles T. Frock
 - d. Paul A. McGill, DDS
 - e. Carl K. Rust, II, MD
2. Series Resolution authorizing the forward delivery was approved 8/19/2016 by the following MCC Executive Committee Members:
 - a. Joseph D. Crocker, Vice-Chairman
 - b. Charles H. Hauser
 - c. Eileen C. Kugler
 - d. Carl K. Rust, II, MD
 - e. Robert E. Schaaf, MD
3. The purpose of the 6/20/2017 meeting is to approve the Supplement to the Official Statement
4. The bonds were priced and sold to institutional buyers 8/18/2016. The underwriter is scheduled to deliver the bond proceeds 7/13/2017.
5. **Recusals:** (1) Wells Fargo Securities, (2) Bank of America Merrill Lynch, and (3) Bank of New York Mellon Trust Company, NA

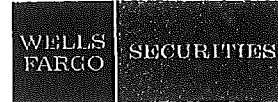
UPDATES:

1. There are no changes to the terms approved 8/19/2016. See "Mission Bond Sale Approval Policy Schedule"
2. Mission Health has maintained an investment grade rating by all 3 rating agencies.

COMPLIANCE: Mission Health had no findings to report for fiscal years ended 2015 and 2016. As of June 14, 2017, Mission Health is in compliance with filing routine and typical documents to the Commission and to EMMA.

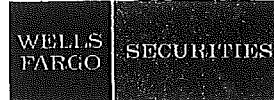
4. Mission Health Discussion of Forward Delivery Bonds

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Mission Health Discussion of Forward Delivery Bonds July 14, 2016

- Mission Health has approximately \$117 million of Series 2007 Bonds that are not eligible for an advance refunding. Such bonds have a call date of October 1, 2017.
- In lieu of waiting until July of 2017 (90 days prior to the October 1, 2017 call date) to effect a current refunding of the Series 2007 Bonds, Mission Health can employ a "forward delivery" structure as described below that will allow Mission Health to go ahead and access the historically low interest rate market as opposed to incurring interest rate risk by waiting until July of 2017 to lock in rates via a current refunding.
- A forward delivery structure allows tax-exempt bonds to be priced in the current market (August 2016), but such bonds are not closed until a date that is within 90 days of the call date of the refunded bonds.
- In a typical bond transaction ("regular delivery"), the time period between pricing and closing the bonds is approximately 3 weeks. In a forward delivery transaction, the time between pricing and closing the bonds can be upwards of 1 year or even longer.
- ✓ ■ In the case of a forward delivery refunding of Mission Health's Series 2007 Bonds, the time period between pricing and closing would be approximately 11 months (price bonds in August 2016 and close bonds in July 2017).
- Forward delivery bonds price at a higher yield than regular delivery bonds to reflect the delayed delivery nature of the structure (referred to as the "forward spread"). The further out the delivery date, the greater the forward spread.
- The documentation of a forward delivery bond is very similar to a regular delivery bond with the one main difference being the utilization of a "Forward Delivery Bond Purchase Agreement" as opposed to the typical "Bond Purchase Agreement."
- A Forward Delivery Bond Purchase Agreement contains many of the same provisions as a typical Bond Purchase Agreement, but also includes provisions specifically relating to the forward delivery structure. The main provision specific to the forward delivery structure is the "Underwriter's right to terminate" should specific enumerated events occur during the forward delivery period (in Mission Health's case, approximately 11 months). Examples of such events include: (i) legislation being enacted or recommended for passage that would prohibit Bond Counsel from being able to render its tax-exempt opinion on the bonds, (ii) legislation being enacted or actively considered that would cause the bonds to be registered under the Securities Act of 1933 or the offering and sale of the bonds to be in violation of the Securities Exchange Act of 1934, (iii) a stop order, ruling, regulation or official statement by the SEC or other governmental agency shall have been issued or made the effect of which would be to make the offering and sale of the bonds to be in violation of federal securities laws and (iv) an Event of Default under the relevant bond documents shall have occurred and be continuing and not cured prior to the closing date. As is the case with a typical Bond Purchase Agreement, a Forward Delivery Bond Purchase Agreement does not contain any explicit termination rights on behalf of the Issuer or Obligor.
- Any changes to Mission Health's credit ratings or financial condition/business operations during the forward delivery period of approximately 11 months are not grounds for termination of the underwriter's obligation to purchase the bonds.



- If the conditions of closing and settlement contained in the Forward Delivery Bond Purchase Agreement are met, the Underwriter is obligated to pay for and take delivery of the bonds with the only condition being that the Underwriter is not obligated to pay for and take delivery of the bonds if one of the specific enumerated events contained in the Forward Delivery Bond Purchase Agreement as described above (Underwriter's right to terminate) shall have taken place.
- If the Underwriter performs its duties and requirements under the Forward Delivery Bond Purchase Agreement, the issuer/obligor is obligated to use its best efforts and act in good faith to issue the bonds and sell the bonds to the underwriter as contemplated by the Forward Delivery Bond Purchase Agreement.
- The Official Statement used for a forward delivery bond issue looks very much the same as for a regular delivery bond issue except for the addition of a section ("Certain Forward Delivery Considerations") that sets forth certain matters contained in the Forward Delivery Bond Purchase Agreement as well as identifying certain risks to the bond purchasers associated with the forward delivery structure. Such risks to the bond purchasers include: (i) the ratings on the bonds being downgraded during the forward delivery period and (ii) the market value of the bonds as of the delivery date being affected by a variety of factors including general market conditions as well as the financial condition or business operations of Mission Health.
- ✓ ■ An updated Official Statement (reflecting revisions necessitated by the passage of time and any material happenings) will be required to be delivered approximately 10 days prior to the delivery date of the bonds in July of 2017. The Commission will be requested to convene (likely in June of 2017) to approve the updated Official Statement prior to its distribution.

5. Mission Health Bond Sale Approval Policy

NC Medical Care Commission Bond Sale Approval Policy Schedule

Mission Health

Series 2017 Forward Delivery Bonds

Steps 1 and 2 Completed July & August 2016

	Time of Preliminary 7/22/2016	Forward Del Resolution 8/19/2016	Variance Preliminary VS Forward Del	
Par Amount of Bonds	\$103,245,000	\$100,285,000	(\$2,960,000)	1
Mission Health Contribution	\$1,846,991	\$1,556,623	(\$290,368)	2
True Interest Rate	3.63%	3.32%	-0.31%	
All-in Interest Cost	3.67%	3.36%	-0.31%	
- Maturity Schedule Interest	10/01/2017 - 10/01/2036	10/01/2017 - 10/01/2036	No change	
- Maturity Schedule Principal	10/01/2018 - 10/01/2036	10/01/2018 - 10/01/2036	No change	
- Bank Holding Period	NA- Public Offering	NA- Public Offering	No change	
- Estimated NPV Savings (\$)	\$12,787,299	\$16,695,227	\$3,907,928	3
Ratings:				
Fitch	AA-	AA-	No change	
Moody's	Aa3	Aa3	No change	
S&P	AA-	AA-	No change	

Step 3 (Final Step) to be completed June 2017

	Forward Del Resolution 8/19/2016	Supplemental OS Approval 6/20/2017	Variance Forward Del VS Supp OS	
Par Amount of Bonds	\$100,285,000	\$100,285,000	\$0	
Mission Health Contribution	\$1,556,623	\$1,556,623	\$0	
True Interest Rate	3.32%	3.32%	0.00%	
All-in Interest Cost	3.36%	3.36%	0.00%	
- Maturity Schedule Interest	10/01/2017 - 10/01/2036	10/01/2017 - 10/01/2036	No change	
- Maturity Schedule Principal	10/01/2018 - 10/01/2036	10/01/2018 - 10/01/2036	No change	
- Bank Holding Period	NA- Public Offering	NA- Public Offering	No change	
- Estimated NPV Savings (\$)	\$16,695,227	\$16,695,227	\$0	
Ratings:				
Fitch	AA-	AA-	No change	
Moody's	Aa3	Aa3	No change	
S&P	AA-	AA-	No change	

Notes:

A MCC Executive Committee approved simultaneously the Mission Series 2016, Fixed Rate Public Offering, and the Mission Forward Delivery Series 2017

B The Fixed Rate, Forward Delivery Series 2017 Refunding Bonds sold to Investment Buyers 8/18/2016. Underwriter to deliver proceeds 7/13/2017, if approved.

C Mission continues to be Investment Grade rated: Fitch AA-, Moody's Aa3, S&P AA- (EMMA)

Footnotes:

- 1 Decrease in the par amount was due to the bonds being priced at a higher premium than originally estimated.
- 2 Decrease in Mission contribution was due to closing date as finalized being earlier than was assumed at preliminary approval.
- 3 Increase in the NPV was due to the Interest rates being lower at the time of sale versus the time of preliminary approval.

6. Exhibit A-Executive Committee Minutes – August 19, 2016

Exhibit A- August 19, 2016
Minutes Excerpt
Pages 8-12

STATE OF NORTH CAROLINA
NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

MINUTES

CALLED MEETING OF THE EXECUTIVE COMMITTEE OF THE COMMISSION
CONFERENCE TELEPHONE MEETING ORIGINATING
FROM THE OFFICES OF THE COMMISSION
AUGUST 19, 2016
11:00 A.M.

Members of the Commission Present:

Joseph D. Crocker, Vice-Chairman
Charles H. Hauser
Eileen C. Kugler
Carl K. Rust, II, MD
Robert B. Schaaf, MD

Members of the Commission Absent:

John A. Fagg, MD, Chairman
Charles T. Frock

Members of Staff Present:

S. Mark Payne, DHR Director, MCC Secretary
Christopher B. Taylor, CPA, Assistant Secretary
Kathy C. Larrison, Auditor
Crystal Watson-Abbott, Auditor
Alice S. Creech, Executive Assistant

Others Present:

Charles Ayscue, Mission Health
Carol Goodrum, Mission Health
Jon Mize, Womble Carlyle Sandridge & Rice, LLP
Christine McIntyre, Wells Fargo
Robert Hobson, Wells Fargo
Kevin Dougherty, McGuire Woods, LLP
Mark Fuller, DePaul
Jim Whalen, DePaul
Tyler Sandridge, DePaul
Steve Cardell, Nexsen Pruet, LLC
Anne Moffat, Presbyterian Home at Charlotte
Tad Melton, Ziegler

*These fees represent a pro rata portion of the combined fees for such entities relating to the Bonds and the \$100,285,000 North Carolina Medical Care Commission Health System Revenue Refunding Bonds (Mission Health Combined Group), Series 2017 approved on the date hereof.

3. **Series Resolution Authorizing the Issuance of \$100,285,000 North Carolina Medical Care Commission Health System Revenue Refunding Bonds (Mission Health Combined Group), Series 2017 (the "Bonds").**

Remarks were made by: Robert Hobson, Jon Mize and Charles Ayscue.

Executive Committee Action: Motion was made by Mr. Charles Hauser, seconded by Mrs. Bileen Kugler, and unanimously approved with the recusals of Dr. Carl Rust and Dr. Robert Schaaf.

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, Mission Health System, Inc. (the "Parent Corporation") is a private, nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina which owns and operates, by itself and through controlled affiliates, various health care facilities; and

WHEREAS, the Parent Corporation has made application to the Commission for a loan to be made to the Parent Corporation for the purpose of providing funds, together with other available funds, to (a) refund a portion of the Commission's outstanding North Carolina Medical Care Commission Health System Revenue Bonds (Mission Health Combined Group), Series 2007, dated January 31, 2007 (the "2007 Bonds"), and (b) pay certain fees and expenses incurred in connection with the authorization, sale and issuance of the Bonds; and

WHEREAS, the Executive Committee of the Commission has, by resolution adopted on July 22, 2016, approved the issuance of the Bonds, subject to compliance with the conditions set forth in such resolution, and the Parent Corporation has complied with such conditions to the satisfaction of the Commission; and

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

(a) Trust Agreement, to be dated as of July 1, 2017 (the "Trust Agreement"), between the Commission and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Bond Trustee"), together with the form of the Bonds attached thereto;

(b) Loan Agreement, to be dated as of July 1, 2017 (the "Loan Agreement"), between the Commission and the Parent Corporation;

(c) Forward Delivery Contract of Purchase, to be dated the date of delivery thereof (the "Contract of Purchase"), between the North Carolina Local Government Commission (the "LGC") and Wells Fargo Securities, LLC, on behalf of itself and Merrill Lynch, Pierce, Fenner & Smith Incorporated (collectively, the "Underwriters"), and approved by the Commission and the Parent Corporation;

(d) Supplemental Master Indenture for Obligation No. 31, to be dated as of July 1, 2017 (the "Supplemental Indenture"), between the Parent Corporation and The Bank of New York Mellon Trust Company, N.A. (as successor to First Union National Bank) (in such capacity, the "Master Trustee"), supplementing an Amended and Restated Master Trust Indenture, dated as of November 1, 1998 (as supplemented, the "Master Indenture"); by and among the Parent Corporation, Memorial Mission Hospital, Inc. (now known as Mission Hospital, Inc.) and the Master Trustee;

(e) the Master Indenture;

(f) Obligation No. 31, to be dated the date of delivery thereof ("Obligation No. 31"), to be issued by the Parent Corporation to the Commission; and

(g) Preliminary Official Statement, dated the date of delivery thereof (the "Preliminary Official Statement"), relating to the offering and sale of the Bonds; and

WHEREAS, the Commission has determined that the Parent Corporation and the other members of the Combined Group are financially responsible and capable of fulfilling their respective obligations, as applicable, under each of the documents described above to which the Parent Corporation is a party; and

WHEREAS, the Commission has determined that the public interest will be served by the proposed 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 defined herein shall have the meanings given such terms in the Trust Agreement, the 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 of \$100,285,000. The Bonds shall be dated as of the date of delivery thereof and shall mature in such amounts and at such times and shall bear interest at such rates as are set forth in Exhibit A, attached hereto and made a part hereof.

The Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any whole multiple thereof. The Bonds shall be initially issued in book-entry only form as described in the Trust Agreement. Interest on the Bonds shall be payable semiannually on each April 1 and October 1, beginning October 1, 2017, until the Bonds are fully paid. 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 and extraordinary redemption 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 208 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 as shall be set forth in the Contract of Purchase; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 6. The forms, 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 forms of the Bonds 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 Supplemental Indenture and Obligation No. 31 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 the Supplemental Indenture and Obligation No. 31 by the Commission.

Section 9. The Commission hereby approves the action of the LGC in awarding the Bonds to the Underwriters at the price of \$118,507,767.80 (which price represents the aggregate principal amount of the Bonds, plus an original issue premium of \$18,724,192.80 and less an underwriters' discount of \$501,425.00).

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 Section 208 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Underwriters against payment therefor.

Section 11. The Commission hereby ratifies the use and distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds. The preparation and distribution of a final Official Statement (the "Official Statement"), in substantially the form of the Preliminary Official Statement, with such changes as are necessary to reflect the final terms of the Bonds, is hereby approved, and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman for such purpose is hereby authorized to execute and deliver, on behalf of the Commission, the Official Statement in substantially such form, together with such changes, modifications and deletions as the Chairman, the Vice Chairman or such member of the Commission, with the advice of counsel, may deem necessary or appropriate; and such execution and delivery 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 Loan Agreement, the Trust Agreement, the Supplemental Indenture, Obligation No. 31 and the Master Indenture by the Underwriters in connection with the offering and sale of the Bonds.

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

Section 13. The Depository Trust Company ("DTC") is hereby appointed as the initial Securities Depository for the Bonds, with Cede & Co., as nominee of DTC, being the initial Securities Depository Nominee and initial registered owner of the Bonds. The Commission has heretofore executed and delivered to DTC a Blanket Letter of Representations.

Section 14. S. Mark Payne, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary, Kathy C. Larrison, Auditor, and Crystal Watson-Abbott, Auditor, for the Commission, are each hereby appointed a Commission Representative (as that term is defined in the Loan Agreement) of the Commission with full power to carry out the duties set forth therein.

Section 15. The Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman, 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 they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Loan Agreement, the Trust Agreement, the Contract of Purchase and the Official Statement.

Section 16. 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 17. 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 incurred in connection with the financing is set forth as Exhibit B hereto.

Section 18. This Series Resolution shall take effect immediately upon its passage.

4. **RESOLUTION APPROVING THE RELEASE AND TERMINATION OF CERTAIN SECURITY INSTRUMENTS IN CONNECTION WITH THE SALE OF EAST TOWNE HOUSE AND THE PARTIAL REDEMPTION OF THE OUTSTANDING NORTH CAROLINA MEDICAL CARE COMMISSION HEALTH CARE FACILITIES FIRST MORTGAGE REVENUE BONDS (COMMUNITY FACILITIES PROJECT), SERIES 2007A.**

Remarks were made by: Kevin Dougherty and Mark Fuller.

Executive Committee Action: Motion was made by Dr. Robert Schaaf, 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

WHEREAS, Community Facilities, Inc. (the "Corporation") is a not-for-profit corporation duly incorporated and validly existing under and by virtue of the laws of the State of New York and a "nonprofit agency" within the meaning of the Act; and

WHEREAS, the Commission has heretofore issued its Health Care Facilities First Mortgage Revenue Bonds (Community Facilities Project), Series 2007A, (the "Series 2007A Bonds"), which are currently outstanding in the aggregate principal amount of \$25,705,000, pursuant to a Trust Agreement, dated as of October 1, 2007 (the "Original Trust Agreement"), by and between the Commission and The Bank of New York Trust Company, N.A. (now known as The Bank of New York Mellon Trust Company, N.A.), as Bond Trustee (the "Bond Trustee"); and

WHEREAS, the Commission loaned the proceeds of the Series 2007A Bonds to the Corporation for the purpose of providing funds, together with other available funds, to (i) refund the Commission's Health Care Facilities First Mortgage Revenue Bonds (DePaul Community Facilities Project), Series 1998; (ii) refund the Commission's Health Care Facilities First

7. **Resolution of the North Carolina Medical Care Commission Approving the Conversion of the North Carolina Medical Care Commission Hospital Revenue Bonds (CaroMont Health), Series 2003 to an "Index Interest Rate" Mode.**

Remarks were made by Mr. Billow, Mr. Crocker, Mr. Hauser, Mr. Wiles, and Mr. Chatman.

Executive Committee Action: Motion was made to approve the conversion of the Series 2003 Index Interest Rate Mode by Dr. Schaaf, seconded by Mrs. Kugler, and unanimously approved with Dr. Rust and Mr. Wiles recusing themselves 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, the Commission has heretofore issued its Hospital Revenue Bonds (CaroMont Health), Series 2003, dated as of January 23, 2003, in the aggregate principal amount of \$120,000,000 (the "Bonds"), and loaned the proceeds thereof to Gaston Memorial Hospital, Incorporated and Gaston Health Services, Inc. (now known as CaroMont Health Services, Inc.) (collectively, the "Corporations") and Gaston Health Care, Inc. (now known as CaroMont Health Inc. (the "Parent")), each of which is a North Carolina nonprofit and a "non-profit agency" within the meaning and intent of the Act, which operates, by itself and through its affiliates, various health care facilities, pursuant to a Loan Agreement, dated as of January 1, 2003, as amended by a First Amendment to Loan Agreement, dated as of June 1, 2008, and a Second Amendment to Loan Agreement, dated as of July 1, 2012 (collectively, the "Original Agreement"), each among the Commission, the Corporations and the Parent; and

WHEREAS, in order to provide for the issuance of the Bonds, the Commission and The Bank of New York, as predecessor bond trustee, previously entered into a Trust Agreement, dated as of January 1, 2003, as supplemented and amended by a Supplemental Trust Agreement, dated as of May 1, 2006 (collectively, the "2003 Trust Agreement"); and

WHEREAS, in connection with the conversion of the interest rate determination method on the Bonds to a weekly rate mode on June 27, 2008, the 2003 Trust Agreement was amended and restated in the form of an Amended and Restated Trust Agreement, dated as of June 1, 2008 (the "Amended and Restated Trust Agreement"), between the Commission and The Bank of New York Trust Company, N.A. (now known as The Bank of New York Mellon Trust Company, N.A.), as successor bond trustee (the "Bond Trustee"); and

WHEREAS, the Bonds constitute two separate subseries, Subseries A (the "Subseries A Bonds") and Subseries B (the "Subseries B Bonds"), and such subseries have separate CUSIP identification numbers and are secured by separate municipal bond insurance policies issued by MBIA Insurance Corporation; and

WHEREAS, the Bonds have been bearing interest at a weekly interest rate, and each subseries of the Bonds are secured by an irrevocable letter of credit (the "Letter of Credit") issued by Wells Fargo Bank, National Association; and

WHEREAS, as an alternative to renewing the Letter of Credit, Wells Fargo Bank, National Association (in such capacity, the "Purchaser") has offered to purchase each subseries of the Bonds and hold them for three years at a variable interest rate equal to 67% of the one-month LIBOR Index plus 0.40% per annum, subject to adjustment under certain circumstances as provided in the Trust Agreement (hereinafter defined); and

WHEREAS, to enable the Purchaser to purchase and hold the Bonds, the Amended and Restated Trust Agreement must be amended and restated to add an "Index Interest Rate" mode and then the Bonds must be remarketed to the Purchaser 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 January 24, 2014, the Commission preliminarily approved the Conversion, subject to compliance by the Corporations and the Parent with the conditions set forth in such resolution, and the Corporations and the Parent have 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) Second Amended and Restated Trust Agreement, dated as of July 3, 2017 (the "Trust Agreement"), between the Commission and the Bond Trustee;

(b) Amended and Restated Loan Agreement, dated as of July 3, 2017 (the "Loan Agreement"), between the Commission, the Corporations and the Parent;

(c) Amended and Restated Supplemental Indenture for Obligation No. 3, dated as of July 3, 2017 ("Supplement No. 3"), between the Corporations, the Parent and CaroMont Ambulatory Services, LLC ("CAS" and together with the Corporations and the Parent, the "Members of the Obligated Group") and The Bank of New York Mellon Trust Company, N.A., as master trustee (in such capacity, the "Master Trustee"), under the Master Trust Indenture, dated as of October 15, 1995 (as amended and supplemented, the "Master Indenture"), between the Corporations, the Parent and Wachovia Bank of North Carolina, N.A. (succeeded by Master Trustee);

(d) Amended and Restated Obligation No. 3, dated as of July 3, 2017 ("Obligation No. 3"), from the Members of the Obligated Group to the Commission;

(e) Continuing Covenant Agreement, dated as of July 3, 2017 (the "Subseries A Continuing Covenant Agreement"), between the Corporations, the Parent and the Purchaser, relating to the Subseries A Bonds;

(f) Continuing Covenant Agreement, dated as of July 3, 2017 (the “Subseries B Continuing Covenant Agreement” and, together with Subseries A Continuing Covenant Agreement, the “Continuing Covenant Agreements”), between the Corporations, the Parent and the Purchaser, relating to the Subseries B Bonds;

(g) Supplemental Indenture for Obligation No. 12, dated as of July 3, 2017 (“Supplement No. 12”), between the Members of the Obligated Group and the Master Trustee;

(h) Supplemental Indenture for Obligation No. 13, dated as of July 3, 2017 (“Supplement No. 13” and together with Supplement No. 3 and Supplement No. 12, the “Supplemental Indentures”), between the Members of the Obligated Group and the Master Trustee;

(i) Obligation No. 12, dated as of July 3, 2017 (“Obligation No. 12), from the Members of the Obligated Group to the Purchaser relating to the Subseries A Bonds;

(j) Obligation No. 13, dated as of July 3, 2017 (“Obligation No. 13” and together with Obligation No. 3 and Obligation No. 12, the “Obligations”), from the Members of the Obligated Group to the Purchaser relating to the Subseries B Bonds;

(k) Amendment No. 3 to Reimbursement and Indemnity Agreement, dated as of July 3, 2017 (the “Insurance Agreement Amendment”), by and among the Parent, the Corporations and National Public Finance Guarantee Corporation (“National”), as Administrator for MBIA Insurance Corporation, the bond insurer for the Bonds; and

(l) Forward Cancellation Agreement, dated as of July 3, 2017 (the “Cancellation Agreement”), among the Bond Trustee, the Purchaser, the Corporations, the Parent and National.

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 resolution and not defined herein shall have the meanings given such terms in the Trust Agreement, the Loan Agreement and the Master Indenture.

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 Trust Agreement, the Bonds mature on August 15, 2034 and are subject to Sinking Fund Requirements as set forth in Exhibit A attached hereto.

Section 3. 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 4. The forms 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 forms of the respective 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 5. The forms, terms and provisions of the Supplemental Indentures, the Obligations, the Continuing Covenant Agreements, the Insurance Agreement Amendment and the Cancellation Agreement 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 6. S. Mark Payne, Secretary, Kathy C. Larrison, Auditor, and Crystal Watson-Abbot, Auditor of the Commission, 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 7. The Chairman, the Vice Chairman, any member of the Commission designated by resolution of the Commission or in writing by the Chairman, 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 they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Loan Agreement, the Trust Agreement, the Supplemental Indentures, the Obligations, the Continuing Covenant Agreements, the Insurance Agreement Amendment and the Cancellation Agreement.

Section 8. 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 B hereto.

Section 9. This resolution shall take effect immediately upon its passage.

Required Redemption of BondsSubseries A

<u>August 15,</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2004	\$ 50,000	2020	\$3,300,000
2005	50,000	2021	3,400,000
2006	50,000	2022	3,550,000
2007	50,000	2023	3,700,000
2008	50,000	2024	3,850,000
2009	50,000	2025	4,000,000
2010	50,000	2026	4,150,000
2011	50,000	2027	4,350,000
2012	50,000	2028	4,450,000
2013	50,000	2029	4,650,000
2014	50,000	2030	3,650,000
2015	50,000	2031	3,800,000
2016	50,000	2032	3,950,000
2017	50,000	2033	4,100,000
2018	50,000	2034*	4,250,000
2019	100,000		

* Maturity

Subseries B

<u>August 15,</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2004	\$ 50,000	2020	\$3,300,000
2005	50,000	2021	3,400,000
2006	50,000	2022	3,550,000
2007	50,000	2023	3,700,000
2008	50,000	2024	3,850,000
2009	50,000	2025	4,000,000
2010	50,000	2026	4,150,000
2011	50,000	2027	4,350,000
2012	50,000	2028	4,450,000
2013	50,000	2029	4,650,000
2014	50,000	2030	3,650,000
2015	50,000	2031	3,800,000
2016	50,000	2032	3,950,000
2017	50,000	2033	4,100,000
2018	50,000	2034*	4,250,000
2019	100,000		

* Maturity

PROFESSIONAL FEES

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual*</u>
Accountant/Auditor	\$35,000	\$ 2,260
Bond Counsel	62,500	Not to exceed 40,000
Purchaser's Counsel	35,000	25,000
Obligated Group Counsel	40,000	25,000
Bond Insurer's Counsel	12,500	30,000
Trustee (including counsel)	1,000	4,000

* The Commission Resolution granting preliminary approval was adopted on January 24, 2014. The transaction was tabled in May 2014. At that time, the Parent paid from its own funds professional fees incurred to the date the transaction was tabled. The fees presented in the above-table relate to the costs incurred in 2017 following the resumption of the

8. **NORTH CAROLINA MEDICAL CARE COMMISSION HOSPITAL REVENUE BONDS (CAROMONT HEALTH) SERIES 2003**

The North Carolina Medical Care Commission (the “Commission”) previously issued its Hospital Revenue Bonds (CaroMont Health), Series 2003 (the “Bonds”) and loaned the proceeds thereof to CaroMonth Health Inc. and certain of its affiliated entities (“CaroMont”). The Bonds, which were issued in two subseries, currently consist of variable rate demand bonds which bear interest at a variable rate which is reset on a weekly basis by the remarketing agent based on market conditions. Each subseries of the Bonds is secured by a letter of credit issued by Wells Fargo Bank, N.A. (“Wells Fargo”). The Bonds are unique in that they are also insured by a bond insurance policy with National Public Finance Guarantee Corporation (“National”), as Administrator for MBIA Insurance Corporation. During the economic crisis of 2008 and 2009, many of the bond insurers suffered serious financial issues, and, as a result, most of the Commission’s insured bond issues have been refunded.

In 2014, the Wells Fargo letters of credit were subject to expiration. As an alternative to extending the expiration date of the letters of credit, Wells Fargo approached CaroMont about converting the Bonds from the weekly variable rate mode to a direct placed index interest rate mode. Following the conversion, the Bonds would no longer be remarketed to the public and would be held directly by Wells Fargo, as the sole bondholder. In 2014, the Commission granted its preliminary approval for the conversion transaction.

Following the Commission’s preliminary approval, the transaction was tabled. National, as the bond insurer, and Wells Fargo, as the holder of the Bonds following the proposed conversion, could not reach an agreement with respect to certain provisions of the financing documents relating to control of remedies and amendments. When the transaction was tabled, Wells Fargo extended the expiration date on the existing letters of credit. In 2017, following further negotiations, National and Wells Fargo came to a mutually acceptable arrangement with respect to the earlier issues in question, and the conversion transaction was revived. The Commission’s approval is required with respect to the various financing documents associated with the conversion. Other than the edits necessary to incorporate the arrangement between National and Wells Fargo and updates for timing, such documents are in substantially the same form as when the transaction was first presented to the Commission in 2014.

9. CaroMont Additional Information:

a) Ratings:

Moody's A1
Standard & Poor's AA-

b) Community Benefits for CaroMont Health, Inc. from the 2016 ANDI Report:

Community Benefits	\$72,422,718
Estimated Costs of Treating Bad Debt Patients	\$25,843,726

c) Long Term Debt Service Coverage Ratios:

Actual	FYE	2016	5.67
Forecasted	FYE	2017	7.55
Forecasted	FYE	2018	7.17
Forecasted	FYE	2019	7.39

d) Board Diversity:

Male: 12
Female: 2
Total: 14

Caucasian: 13
African American: 1

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e) Compliance:

Upon review of the routine annual and quarterly document filings as of March 28, 2017, CaroMont Health, Inc. is in compliance with the NC Medical Care Commission's Policy on Compliance by Borrowers.

f) Bond Sale Approval Policy Information:

	Time of Preliminary Approval January 2014	Time of Final Approval June 2017
-Outstanding Principal Balance	\$119,000,000 – refer to note 2	\$118,700,000 – refer to note 2
- Estimated Interest Rate	67% of 1 month LIBOR + 0.40% 0.51% (Estimated Int. Rate)	67% of 1 month LIBOR + 0.40% 1.16% (Estimated Int. Rate)
- All In True Interest Cost	4.02%	4.02%
- Principal Maturity Schedule	2014 - 2034	2017 - 2034
- Estimated NPV Savings (\$)	\$0 – refer to note 1 below	\$0 – refer to note 1 below
- Estimated NPV Savings (%)	Refer to note 1 below	Refer to note 1 below

Note 1: Eliminates the following: remarketing fees, remarketing risk, put risk and bank downgrade risk.
 Note 2: Series 2003 Bonds Original Issue Amount of \$120,000,000. Decrease in original issue amount at time of preliminary approval and final approval is due to required principal payments being made.

10. Adjournment

There being no further business, the meeting was adjourned at 2:40 p.m.

Respectfully submitted,

Crystal Watson-Abbott
 Crystal Watson-Abbott, Auditor

Date: June 20, 2017