

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**

DECEMBER 21, 2017

11:00 A.M.

Members of the Executive Committee Present:

John A. Fagg, M.D., Chairman
Joseph D. Crocker, Vice-Chairman
Charles H. Hauser
Eileen C. Kugler
Devdutta G. Sangvai, M.D.
Robert E. Schaaf, M.D.

Members of the Executive Committee Absent:

None

Members of Staff Present:

S. Mark Payne, Director, DHSR, Secretary, MCC
Geary W. Knapp, JD, CPA, Assistant Secretary
Crystal Watson-Abbott, Auditor
Kathy C. Larrison, Auditor
Alice S. Creech, Executive Assistant

Others Present:

Kevin Dougherty, McGuire Woods, LLP
Lee Syria, United Church Homes and Services
Gary Shull, United Church Homes and Services
Tommy Brewer, Ziegler

1. **Purpose of Meeting**

To authorize the sale of bonds, the proceeds of which are to be loaned to United Church Homes and Services.

Remarks were made about the refunding by Mr. Joe Crocker, Mr. Geary Knapp and Mr. Kevin Dougherty.

2. **Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$30,285,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (United Church Homes and Services), Series 2017C**

Executive Committee Action: Motion was made by Dr. Devdutta Sangvai, seconded by Mrs. Eileen Kugler, 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, United Church Homes and Services (the "Corporation") is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina which owns and operates continuing care retirement communities located in Thomasville and Newton, North Carolina; and

WHEREAS, Lake Prince Center, Inc. ("Lake Prince") is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina which owns and operates a continuing care retirement community located in Suffolk, Virginia; and

WHEREAS, the Corporation has made an application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (a) current refund all of the Commission's outstanding Retirement Facilities First Mortgage Revenue Refunding Bonds (United Church Homes and Services), Series 2005B (the "Series 2005B Bonds"), (b) current refund a portion of the Commission's outstanding Retirement Facilities First Mortgage Revenue Bonds (United Church Homes and Services), Series 2015B (the "Series 2015B Bonds" and, together with the Series 2005B Bonds, the "Prior Bonds"), (c) fund the Debt Service Reserve Fund (as defined in the Trust Agreement hereinafter mentioned) so that the amount on deposit therein is equal to the Debt Service Reserve Fund Requirement (as defined in the Master Indenture hereinafter mentioned), and (d) pay certain expenses incurred in connection with the issuance of the Bonds (as hereinafter defined); and

WHEREAS, the Commission has determined that the public will best be served by the proposed financing described above, and, by resolution adopted by the Executive Committee of

the Commission on November 17, 2017, 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 to the officers and staff of the Commission the Preliminary Official Statement, dated December 6, 2017 (the "Preliminary Official Statement"), and draft copies of the following documents relating to the issuance of the Bonds:

(a) the Contract of Purchase, to be dated the date of sale of the Bonds (the "Contract of Purchase"), between the North Carolina Local Government Commission (the "LGC") and B.C. Ziegler & Company (the "Underwriter"), and approved by the Commission and the Corporation;

(b) Supplemental Indenture for Obligation No. 19, dated as of December 1, 2017 ("Supplemental Indenture No. 19"), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"), supplementing the Amended and Restated Master Trust Indenture, dated as of April 1, 2005 (the "Master Indenture"), by and among the Corporation, Lake Prince and the Master Trustee;

(c) the Trust Agreement, dated as of December 1, 2017 (the "Trust Agreement"), by and between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"), the provisions of which relate to the issuance of and security for the Bonds;

(d) the Loan Agreement, dated as of December 1, 2017 (the "Loan Agreement"), by and between the Commission and the Corporation, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(e) Obligation No. 19, dated the date of its delivery ("Obligation No. 19"), to be issued by the Corporation to the Commission pursuant to the Master Indenture and Supplemental Indenture No. 19;

(f) the Eighth Amendment to Amended and Restated Deed of Trust, dated as of December 1, 2017 (the "Lake Prince Amendment"), among Lake Prince, Mark D. Williamson, as Deed of Trust Trustee, and the Master Trustee, amending the Amended and Restated Deed of Trust, dated as of April 1, 2005, as amended (the "Lake Prince Deed of Trust"), from Lake Prince to Mark D. Williamson and Karen L. Duncan, as Deed of Trust Trustees, for the benefit of the Master Trustee, with respect to certain real property of Lake Prince located in the City of Suffolk, Virginia;

(g) the Ninth Amendment to Amended and Restated Deed of Trust, dated as of December 1, 2017 (the "Piedmont Crossing Amendment"), among the Corporation, Chicago Title Insurance Company, as substitute Deed of Trust Trustee, and the Master Trustee, amending the Amended and Restated Deed of Trust, dated as of April 1, 2005, as amended (the "Piedmont Crossing Deed of Trust"), from the Corporation to The Fidelity Company, as Deed of Trust Trustee, for the benefit of the Master Trustee, with respect to certain real property of the Corporation located in Davidson County, North Carolina; and

(h) the Eighth Amendment to Amended and Restated Deed of Trust, dated as of December 1, 2017 (the "Abernethy Laurels Amendment" and, together with the Lake Prince Amendment and the Piedmont Crossing Amendment, the "Amendments to the Deeds of Trust"), among the Corporation, Chicago Title Insurance Company, as substitute Deed of Trust Trustee, and the Master Trustee, amending the Amended and Restated Deed of Trust, dated as of April 1, 2005, as amended (the "Abernethy Laurels Deed of Trust" and, together with the Lake Prince Deed of Trust and the Piedmont Crossing Deed of Trust, the "Deeds of Trust"), from the Corporation to The Fidelity Company, as Deed of Trust Trustee, for the benefit of the Master Trustee, with respect to certain real property of the Corporation located in Catawba County, North Carolina; and

WHEREAS, the Commission has determined that, taking into account the historical financial performance of the Members of the Obligated Group (as defined in the Master Indenture) and financial forecasts internally generated by the Corporation, (i) the Members of the Obligated Group are financially responsible and capable of fulfilling their respective obligations under the Master Indenture, Obligation No. 19, Supplemental Indenture No. 19 and the Deeds of Trust and (ii) the Corporation is financially responsible and capable of fulfilling its obligations under the Loan Agreement; and

WHEREAS, the Commission has determined that the public interest will be served by the proposed financing and that, taking into account the historical financial performance of the Members of the Obligated Group and financial forecasts internally generated by the Corporation, adequate provision has been made for the payment of the principal of, redemption premium, if any, and interest on the Bonds;

NOW, THEREFORE, THE EXECUTIVE COMMITTEE OF 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 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 its Retirement Facilities First Mortgage Revenue Refunding Bonds (United Church Homes and Services), Series 2017C in the aggregate principal amount of \$30,285,000 (the "Bonds"). The Bonds shall mature in such amounts and at such times, be subject to Sinking Fund Requirements and bear interest at such rates as are set forth in Schedule 1 attached hereto.

The Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any whole multiple thereof. The Bonds shall be issued in book-entry-only form as described in the Trust Agreement. Interest on the Bonds shall be paid on each March 1 and September 1, beginning on March 1, 2018, to and including September 1, 2046. 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 mandatory, extraordinary and optional 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 2.08 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to the Corporation for the purposes described in the preamble to this Series Resolution 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, the Vice Chairman or any member of the Commission designated in writing by the Chairman of the Commission for such purpose and the Secretary or the 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 to this meeting, together with such changes, modifications and deletions, as they, 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 Bonds as shall be set forth in the Contract of Purchase; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 6. The form, terms and provisions of the Contract of Purchase are hereby approved in all respects and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman of the Commission for such purpose is hereby authorized and directed to approve, by execution and delivery, the Contract of Purchase in substantially the form presented to this meeting, together with such changes, modifications, insertions and deletions as the Chairman, the Vice Chairman or such member of the Commission, with the advice of counsel, may deem necessary and appropriate; 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, the Vice Chairman or any member of the Commission designated in writing by the Chairman of the Commission for such purpose and the Secretary or the 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 to 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; 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 Supplemental Indenture No. 19, Obligation No. 19 and the Amendments to the Deeds of Trust are hereby approved in substantially the forms presented at this meeting, together with such changes, modifications and deletions as the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman of the Commission, with the advice of counsel, may deem necessary and appropriate; the execution and delivery of the Trust Agreement pursuant to Section 5 of this Series Resolution

shall be conclusive evidence of the approval of Supplemental Indenture No. 19, Obligation No. 19 and the Amendments to the Deeds of Trust by the Commission.

Section 9. The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Underwriter at the purchase price of \$31,456,376.40 (representing the principal amount of the Bonds, plus net original issue premium of \$1,655,936.40, less an Underwriter's discount of \$484,560).

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 satisfaction of the provisions of Section 2.08 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Underwriter 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 offer and sale of the Bonds, and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman of the Commission for such purpose 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 the Chairman, the Vice Chairman or such member of the Commission, with the advice of counsel, may deem necessary and 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, Supplemental Indenture No. 19, Obligation No. 19, the Amendments to the Deeds of Trust and the Deeds of Trust by the Underwriter in connection with such offering and sale.

Section 12. The Depository Trust Company ("DTC"), New York, New York, 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 13. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Bond Trustee for the Bonds.

Section 14. S. Mark Payne, Secretary of the Commission, Geary Knapp, Assistant Secretary of the Commission, and Crystal Watson-Abbott, Auditor to the Commission, are each hereby appointed a Commission Representative, 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 of the Commission, the Secretary and the Assistant Secretary of the Commission are authorized and directed (without limitation except as may be expressly set forth herein) to take such action and to execute and deliver any such documents, certificates, undertakings, consents, agreements or other instruments, as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions, including the refunding of

the Prior Bonds, contemplated by the Trust Agreement, the Loan Agreement, the Master Indenture, Supplemental Indenture No. 19, Obligation No. 19, the Contract of Purchase, the Amendments to the Deeds of Trust, the Deeds of Trust 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 incurred in connection with the financing is set forth in Schedule 2 attached hereto.

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

Maturity Schedule

Serial Bonds

<u>Due September 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$ 720,000	3.000%
2022	1,165,000	5.000
2023	1,220,000	5.000
2024	1,280,000	5.000

Term Bonds

\$10,250,000 5.000% Term Bonds due September 1, 2041

<u>Due September 1</u>	<u>Sinking Fund Requirement</u>
2038	\$ 2,370,000
2039	2,525,000
2040	2,590,000
2041*	2,765,000

* Maturity

\$15,650,000 5.000% Term Bonds due September 1, 2046

<u>Due September 1</u>	<u>Sinking Fund Requirement</u>
2042	\$ 2,845,000
2043	3,035,000
2044	3,130,000
2045	3,335,000
2046*	3,305,000

* Maturity

Schedule 2

Professional Fees

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Underwriter	\$ 532,880	\$ 484,560
Accountant/Auditor	15,000	20,000
Bond Counsel	70,000	78,500
Underwriter's Counsel	50,000	50,000
Corporation Counsel	25,000	15,000
Trustee (including counsel)	9,000	7,000
Blue Sky Counsel	7,500	3,500

3. Bond Sale Approval Policy

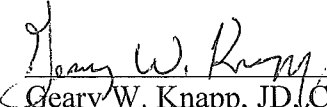
NC MCC Bond Sale Approval Form
 Facility Name: United Church Homes and Services

SERIES:	Time of Preliminary Approval	Time of Mailing POS (if applicable)	Time of Final Approval
PAR Amount	\$33,305,000.00	\$33,205,000.00	\$30,285,000.00
Estimated Interest Rate	5.00%	5.00%	4.18%
All-in True Interest Cost	5.50%	5.20%	4.74%
Maturity Schedule (Interest) - Date	March 1 and September 1	March 1 and September 1	March 1 and September 1
Maturity Schedule (Principal) - Date	September 1	September 1	September 1
Bank Holding Period (if applicable) - Date	N/A	N/A	N/A
Estimated NPV Savings (\$) (if refunded bonds)	N/A converting from bank to fixed	N/A converting from bank to fixed	N/A converting from bank to fixed
Estimated NPV Savings (%) (if refunded bonds)	N/A converting from bank to fixed	N/A converting from bank to fixed	N/A converting from bank to fixed
	Total Variance To Preliminary Approval	Explanation of Variance	
PAR Amount	(\$3,020,000.00)	Original amount assumed per bonds final structure included some premium bonds	
Estimated Interest Rate	-0.83%	Attractive market conditions allowed for lower interest rates	
All-in True Interest Cost	-0.76%	Attractive market conditions allowed for lower interest rates	

4. Adjournment

There being no further business, the meeting was adjourned at 11:10 a.m.

Respectfully submitted,



Geary W. Knapp, JD, CPA
Assistant Secretary