

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

**The North Carolina Medical Care Commission  
701 Barbour Drive  
Raleigh, North Carolina**

**MINUTES**

**CALLED MEETING OF THE EXECUTIVE COMMITTEE  
CONFERENCE TELEPHONE MEETING ORIGINATING  
FROM THE COMMISSION'S OFFICE  
OCTOBER 7, 2009  
11:00 A.M.**

**Members of the Executive Committee Present:**

Lucy Hancock Bode, Chairman  
Joseph D. Crocker, Vice-Chairman  
George H.V. Cecil  
Gerald P. Cox  
Charles T. Frock  
Mary L. Piepenbring  
Dr. Robert E. Schaaf

**Members of the Executive Committee Absent:**

None

**Members of Staff Present:**

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

**Others Present:**

Lynn DeJaco, CFO, FirstHealth of the Carolinas  
Gary Karpinski, CFO, Aldersgate United Methodist Retirement Community  
Allen K. Robertson, Robinson, Bradshaw & Hinson, P.A.

1. **Purpose of Meeting**

To consider a Resolution for preliminary approval for a refunding bond issue for FirstHealth of the Carolinas and (2) Resolution for a preliminary approval for a refunding bond issue for Aldersgate United Methodist Retirement Community.

2. **FirstHealth of the Carolinas, Inc. Pinehurst-** Christopher B. Taylor, Lynn DeJaco, and Allen Robertson

**Executive Committee Action:** A motion was made by Mr. Joe Crocker, seconded by Mr. Gerald Cox and unanimously approved with Mr. Charles Frock abstaining from the vote.

**Resolution:** The Commission grants preliminary approval to a project for FirstHealth of the Carolinas, Inc. to provide funds, to be used together with other available funds, to (1) refund \$5,600,000 of the \$50,000,000 North Carolina Medical Care Commission Health Care Facilities Variable Rate Demand Revenue Bonds (FirstHealth of the Carolinas Project) Series 2002, (2) refund \$29,400,000 of the \$75,015,000 Series 2008A and refund \$28,900,000 of the \$31,830,000 Series 2008B North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Refunding Bonds (FirstHealth of the Carolinas Project) Series 2008 and (3) refund the \$45,505,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (FirstHealth of the Carolinas Project) Series 2009B outstanding in the amount of \$45,505,000. The variable rate bonds (2002, 2008A, 2008B and 2009B) are being refunded to fixed rate bonds and bank qualified bonds in order to reduce put and interest rate risk. The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued:	
2009C	\$39,660,000
2009D	41,140,000
2010	<u>30,000,000</u>
Total Sources	\$110,800,000

**ESTIMATED USES OF FUNDS**

Amount to refund Series 2002 Bonds	\$5,600,000
Amount to refund Series 2008A Bonds	29,400,000
Amount to refund Series 2008B Bonds	28,900,000
Amount to refund Series 2009B Bonds	45,505,000
Underwriters discount	425,000
Accountants fee	25,000
Corporation counsel	75,000
Bond counsel	100,000
Rating agencies	100,000
Trustee fee	25,000
Printing	10,000
LGC	3,500
Underwriters counsel	80,000
Financial advisor	125,000
Bank loan origination fee	200,000
Bank Qualified Bond counsel fees	130,000
Miscellaneous	<u>96,500</u>
Total	\$110,800,000

Tentative approval is given with the understanding that the governing board of First Health of the Carolinas, Inc. accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. The borrower will provide the Commission annually a copy of the Advocacy Needs Data Initiative (ANDI) form it files with the North Carolina Hospital Association (NCHA) in accordance with a resolution passed by the Commission on February 9, 2007 adopting the NCHA Community Benefits reporting format and methodology for hospitals reporting to the Commission.
8. All health care facilities and services directly or indirectly owned or controlled by the health care organization, including physician practices, shall be available to Medicare and Medicaid patients with no limitations imposed as a result of the source of reimbursement.
9. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended ("Section 147(f)"), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the "Governor") approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.

Based on information furnished by applicant, the project is -

- |  |                                     |     |                          |    |                                     |     |
|--|-------------------------------------|-----|--------------------------|----|-------------------------------------|-----|
| 1. Financially feasible                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/>            | N/A |
| 2. Construction and related costs are reasonable | <input type="checkbox"/>            | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> | N/A |

Notes:

A) Projected Long Term Debt Service Coverage Ratio

2009 4.48%  
2010 4.92%  
2011 5.37%  
2012 5.88%

B) Ratings

Moody's Aa3  
Standard & Poor's AA-  
Fitch AA

C) Community Benefits for 2008 per ANDI form for FirstHealth of the Carolinas

Community Benefits \$36,568,801  
Bad Debt 8,094,640  
Total \$44,663,441

3. Aldersgate United Methodist Retirement Community, Inc.-Charlotte - Christopher B. Taylor & Gary Karpinski

**Executive Committee Action:** A motion was made by Mr. Gerald Cox, seconded by Mr. Joe Crocker and unanimously approved

**Resolution:** The Commission grants preliminary approval to a project for Aldersgate United Methodist Retirement Community, Inc. to provide funds, to be used together with other available funds, to refund a portion of the \$40,835,000 North Carolina Medical Care Commission Variable Rate Demand Retirement Facilities Revenue Bonds (Aldersgate Project) Series 2001, outstanding in the amount of \$34,385,000 of which \$29,600,000 will be refunded by the proceeds of a Bank Qualified Bond with BB&T. The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of Bank Qualified Bonds	<u>\$30,000,000</u>
Total Source	\$30,000,000

**ESTIMATED USES OF FUNDS**

Escrow to refund a portion of the Series 2001 Bonds	\$29,600,000
Placement fee	75,000
Accountants fee	15,000
Corporation counsel	30,000
Bond counsel	55,000
Bank commitment fee	150,000
Bank counsel fee	30,000
Local Government Commission fee	3,500
Miscellaneous	<u>41,500</u>
Total	\$30,000,000

Tentative approval is given with the understanding that the governing board of Aldersgate United Methodist Retirement Community, Inc. accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended ("Section 147(f)"), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the "Governor") approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
8. The borrower will comply with the Commission's Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC's as adopted on November 9, 2007. (a copy of which is attached hereto).

Based on information furnished by applicant, the project is -

- |  |                                     |     |                          |    |                                     |     |
|--|-------------------------------------|-----|--------------------------|----|-------------------------------------|-----|
| 1. Financially feasible                          | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/>            | N/A |
| 2. Construction and related costs are reasonable | <input type="checkbox"/>            | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> | N/A |

Notes: Projected Long Term Debt Coverage Ratio

2009 - 2.72

2010 - 2.25

2011 - 2.28

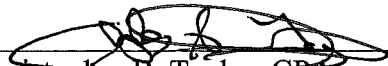
2012 - 1.93

Community Benefits Percentage under GS-105 6.80% for FYE 2008

4. **Adjournment**

There being no further business, the meeting was adjourned at 10:20 a.m.

Respectfully submitted,

  
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Christopher B. Taylor, CPA  
Assistant Secretary