

**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  
APRIL 14, 2011  
11:00 A.M.**

**Members of the Executive Committee Present:**

Lucy Hancock Bode, Chairman  
Joseph D. Crocker, Vice-Chairman  
Dr. George Binder  
Gerald P. Cox  
Charles T. Frock

**Members of the Executive Committee Absent:**

Dr. Carl K. Rust  
Dr. Robert E. Schaaf

**Members of Staff Present:**

Drexdal R. Pratt, MCC Secretary/DHSR Director  
Christopher B. Taylor, CPA, Assistant Secretary  
Jeff Horton, DHSR Chief Operating Officer  
Alice S. Creech, Bond Program Assistant

**Others Present:**

Alice Pinckney Adams, Robinson Bradshaw & Hinson, PA  
Joe Mulligan, Cain Brothers & Company, Inc.  
Kevin Dougherty, McGuire Woods  
Robert J. Fitzgerald, WakeMed

**1. Purpose of Meeting**

(1) To authorize the sale of bonds, the proceeds of which are to be loaned to Masonic and Eastern Star Home of North Carolina, Incorporated, (2) To authorize a resolution relating to the amendment of the Trust Agreement securing the outstanding North Carolina Medical Commission Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2010 with a Carol Woods Supplemental Trust Agreement amending the initial term BB&T Commitment Letter, and (3) To consider a Hospital Rule Change: 10A NCAC 13B.4108 and Observation Beds Status for WakeMed.

**2. Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$22,395,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (WhiteStone Project) Series 2011A –**  
Remarks were made by Alice Adams and Joe Mulligan

**Executive Committee Action:** A motion was made by Mr. Joe Crocker, seconded by Mr. Gerald Cox 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 (including retirement facilities); and

WHEREAS, Masonic and Eastern Star Home of North Carolina, Incorporated (the “Corporation”) is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina and is a “nonprofit agency” within the meaning of the Act; and

WHEREAS, the Corporation has made application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (a) pay, or reimburse the Corporation for paying, a portion of the cost of expanding the Corporation’s existing continuing care retirement community known as WhiteStone: A Masonic and Eastern Star Community located at 700 S. Holden Road, Greensboro, North Carolina, including (1) the acquisition, construction and equipping of 46 independent living apartments, including the demolition of two existing buildings; (2) the acquisition, construction and equipping of two independent living houses and two independent living duplexes, resulting in a total of six new units; (3) the acquisition, construction and equipping of a fellowship hall, bistro, arts and crafts room, spa, picnic shelter, resident gardens and outdoor dining areas; (4) the conversion of an existing multipurpose room into a fitness center; (5) the construction of a new parking lot and a new entrance monument; (6) installation of sidewalks on two city streets (Holden and Spring Garden) adjacent to the Community, as required by city ordinance in connection with the expansion of the Community; (7) renovations and improvements to the “Linville” building creating a new club house with library, resident store, game room, activity room, lounge and pharmacy on the main floor, administrative and marketing suites

on lower level and the combination of four studio apartments into three one bed room apartments on the top floor; (8) renovations and improvements to the rotunda, central dining building, central kitchen, and corridors in the care and wellness center and existing apartment buildings; and (9) renovations to an existing house for use as a temporary marketing office (collectively, the “Project”); (b) refund an existing taxable loan, the proceeds of which were used to finance a portion of the costs of the Project; (c) pay interest on the Bonds (as defined below) for approximately 30 months; (d) fund a debt service reserve fund; and (e) pay certain expenses incurred in connection with the issuance of the Bonds by the Commission; and

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on August 13, 2010, has approved the issuance of the Bonds, subject to compliance by the Corporation with the conditions set forth in such resolution, and the Corporation has complied with such conditions to the satisfaction of the Commission; and

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

(a) a Contract of Purchase, dated April 14, 2011 (the “Purchase Agreement”), between Cain Brothers & Company, LLC and Janney Montgomery Scott LLC (the “Underwriters”) and the Local Government Commission of North Carolina (the “LGC”), 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);

(b) a Trust Agreement, dated as of April 1, 2011 (the “Trust Agreement”), between the Commission and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as bond trustee (the “Bond Trustee”), the provisions of which relate to the issuance of and security for the Bonds and includes the forms of the Bonds;

(c) a Loan Agreement, dated as of April 1, 2011 (the “Loan Agreement”), between the Commission and the Corporation, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(d) a Master Trust Indenture, dated as of April 1, 2011 (the “Master Indenture”), between the Corporation and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as master trustee (the “Master Trustee”);

(e) a Supplemental Indenture for Obligation No. 1, dated as of April 1, 2011 (“Supplement No. 1”), between the Corporation and the Master Trustee;

(f) Obligation No. 1, to be dated the date of delivery of the Bonds (“Obligation No. 1”), to be issued by the Corporation to the Commission;

(g) a Deed of Trust, dated as of April 1, 2011 (the “Corporation Deed of Trust”), from the Corporation to the deed of trust trustee named therein for the benefit of the Master Trustee;

(h) an Assignment of Contracts, dated as of April 1, 2011 (the “Assignment of Contracts”), by the Corporation to the Master Trustee; and

(i) a Preliminary Official Statement, dated March 28, 2011, relating to the Bonds (the “Preliminary Official Statement”); and

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Loan Agreement, the Master Indenture, Supplement No. 1 and Obligation No. 1; 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 Bonds (WhiteStone Project) Series 2011A (the “Bonds”), in the aggregate principal amount of \$22,395,000. The Bonds shall mature in such amounts and at such times and shall bear interest at such rates as are set forth in Schedule 1 attached hereto. The Bonds designated as Term Bonds shall be subject to the Sinking Fund Requirements set forth in Schedule 1 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 issued in book-entry form as provided in the Trust Agreement. Interest on the Bonds shall be paid on each March 1 and September 1, beginning September 1, 2011. Payments of principal of and interest on the Bonds shall be made to the registered owners of the Bonds in such manner as is set forth in the Trust Agreement.

Section 3. The Bonds shall be subject to 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 2.10 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to refund a portion of the existing taxable bank loan, finance a portion of the costs of the Project, pay a portion of the interest accruing on the Bonds, fund a debt service reserve fund and pay costs of issuing the Bonds will accomplish the public purposes set forth in the Act.

Section 5. The forms, terms and provisions of the Trust Agreement and the Loan Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant

Secretary of the Commission are hereby authorized and directed to execute and deliver the Trust Agreement and the Loan Agreement in substantially the forms presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary and appropriate, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 6. The form, terms and provisions of the Purchase Agreement are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) is hereby authorized and directed to execute and deliver the Purchase Agreement in substantially the form presented at this meeting, together with such changes, modifications, insertions and deletions as they, with the advice of counsel, may deem necessary and appropriate, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 7. The forms of the Bonds set forth in the Trust Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute, by manual or facsimile signature as provided in such forms of the Bonds, and to deliver to the Bond Trustee for authentication on behalf of the Commission, the Bonds in definitive form, which shall be in substantially the forms presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary, appropriate and consistent with the Trust Agreement, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 8. The forms, terms and provisions of the Master Indenture, Supplement No. 1, Obligation No. 1, the Corporation Deed of Trust and the Assignment of Contracts 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 \$21,576,947.35 (representing the principal amount of the Bonds, less original issue discount of \$452,486.15 and less underwriters' discount of \$365,566.50).

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 2.10 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, Supplement No. 1, Obligation No. 1, the Corporation Deed of Trust and the Assignment of Contracts 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. Drexal Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, Steven Lewis, Chief of the Construction Section of the Division of Health Service Regulation, and Kathy C. Larrison, Auditor of the Commission, are each hereby appointed a Commission Representative as that term is defined in the Loan Agreement, with full power to carry out the duties set forth therein.

Section 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, and the Purchase Agreement.

Section 16. This Series Resolution shall take effect immediately upon its passage.

3. **Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$4,700,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (WhiteStone Project) Series 2011B.**

**Executive Committee Action: Executive Committee Action:** A motion was made by Mr. Joe Crocker, seconded by Mr. Gerald Cox 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 (including retirement facilities); and

WHEREAS, Masonic and Eastern Star Home of North Carolina, Incorporated (the “Corporation”) is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina and is a “nonprofit agency” within the meaning of the Act; and

WHEREAS, the Corporation has made application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (a) pay, or reimburse the Corporation for paying, a portion of the cost of expanding the Corporation’s existing continuing care retirement community known as WhiteStone: A Masonic and Eastern Star Community located at 700 S. Holden Road, Greensboro, North Carolina, including (1) the acquisition, construction and equipping of 46 independent living apartments, including the demolition of two existing buildings; (2) the acquisition, construction and equipping of two independent living houses and two independent living duplexes, resulting in a total of six new units; (3) the acquisition, construction and equipping of a fellowship hall, bistro, arts and crafts room, spa, picnic shelter, resident gardens and outdoor dining areas; (4) the conversion of an existing multipurpose room into a fitness center; (5) the construction of a new parking lot and a new entrance monument; (6) installation of sidewalks on two city streets (Holden and Spring Garden) adjacent to the Community, as required by city ordinance in connection with the expansion of the Community; (7) renovations and improvements to the “Linville” building creating a new club house with library, resident store, game room, activity room, lounge and pharmacy on the main floor, administrative and marketing suites on lower level and the combination of four studio apartments into three one bed room apartments on the top floor; (8) renovations and improvements to the rotunda, central dining building, central kitchen, and corridors in the care and wellness center and existing apartment buildings; and (9) renovations to an existing house for use as a temporary marketing office (collectively, the “Project”); (b) refund an existing taxable loan, the proceeds of which were used to finance a portion of the costs of the Project; (c) pay interest on the Bonds (as defined below) for approximately 24 months; and (d) pay certain expenses incurred in connection with the issuance of the Bonds by the Commission; and

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on August 13, 2010, has approved the issuance of the Bonds, subject to compliance by the Corporation with the conditions set forth in such

resolution, and the Corporation has complied with such conditions to the satisfaction of the Commission; and

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

(a) a Contract of Purchase, to be dated the date of delivery of the Bonds (the "Purchase Agreement") between the Local Government Commission of North Carolina (the "LGC") and RBC Bank (USA), as the initial purchaser of the Bonds (the "Bank"), and approved by the Commission and the Corporation;

(b) a Trust Agreement, dated as of April 1, 2011 (the "Trust Agreement"), 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 and includes the forms of the Bonds;

(c) a Loan Agreement, dated as of April 1, 2011 (the "Loan Agreement"), between the Commission and the Corporation, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(d) a Master Trust Indenture, dated as of April 1, 2011 (as supplemented, the "Master Indenture"), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee");

(e) a Supplemental Indenture for Obligation No. 2, to be dated the date of delivery of the Bonds ("Supplement No. 2"), between the Corporation and the Master Trustee;

(f) Obligation No. 2, to be dated the date of delivery of the Bonds ("Obligation No. 2"), from the Corporation to the Commission;

(g) a Supplemental Indenture for Obligation No. 3, dated as of April 1, 2011 ("Supplement No. 3," and together with Supplement No. 2, the "Supplemental Indentures"), between the Corporation and the Master Trustee;

(h) Obligation No. 3, to be dated the date of delivery of the Bonds ("Obligation No. 3," and together with Obligation No. 2, the "Obligations") from the Corporation to the Bank;

(i) a Deed of Trust, dated as of April 1, 2011 (the "Corporation Deed of Trust"), from the Corporation to the deed of trust trustee named therein for the benefit of the Master Trustee; and

(j) an Assignment of Contracts, dated as of April 1, 2011 (the "Assignment of Contracts"), between the Corporation and the Master Trustee; and



WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Loan Agreement, the Master Indenture, the Supplemental Indentures and the Obligations; and

WHEREAS, the Commission has determined that adequate provision has been made for the payment of the principal of, redemption premium, if any, and interest on the Bonds;

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

Section 1. Capitalized words and terms used in this Series Resolution and not defined herein shall have the same meanings in this Series Resolution as such words and terms are given in the Master Indenture, the Trust Agreement and the Loan Agreement.

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (WhiteStone Project) Series 2011B (the "Bonds"), in the aggregate principal amount of \$4,700,000. The Bonds shall mature on September 1, 2014 and shall bear interest at such rates determined in accordance with the Trust Agreement. During the initial Bank-Bought Rate Period, the Bonds will bear interest at one-month LIBOR plus 1.50%, subject to adjustment under certain circumstances.

The Bonds shall be issued as fully registered bonds in (i) denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000 during any Bank-Bought Rate Period or Weekly Rate Period and (ii) denominations of \$5,000 and any whole multiple thereof during any Long-Term Rate Period or Adjustable Rate Period. While bearing interest at the Weekly Rate, Long-Term Rate or Adjustable Rate, the Bonds shall be issuable in book-entry form as provided in the Trust Agreement. Interest on the Bonds shall be paid at the times and at the rates determined as specified in the Trust Agreement. Payments of principal of and interest on the Bonds shall be made to the registered owners of the Bonds in such manner as is set forth in the Trust Agreement.

Section 3. The Bonds shall be subject to (i) optional and extraordinary redemption, (ii) during any Weekly Rate Period or Adjustable Rate Period, optional tender for purchase, and (iii) mandatory tender for purchase, all at the times, upon the terms and conditions, and at the prices set forth in the Trust Agreement.

Section 4. The proceeds of the Bonds shall be applied as provided in Section 2.10 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to refund a portion of the existing taxable bank loan, finance a portion of the costs of the Project, pay a portion of the interest accruing on the Bonds and pay costs of issuing the Bonds will accomplish the public purposes set forth in the Act.

Section 5. The forms, terms and provisions of the Trust Agreement and the Loan Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant

Secretary of the Commission are hereby authorized and directed to execute and deliver the Trust Agreement and the Loan Agreement in substantially the forms presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary and appropriate, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 6. The form, terms and provisions of the Purchase Agreement are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) is hereby authorized and directed to execute and deliver the Purchase Agreement in substantially the form presented at this meeting, together with such changes, modifications, insertions and deletions as they, with the advice of counsel, may deem necessary and appropriate, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 7. The forms of the Bonds set forth in the Trust Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute, by manual or facsimile signature as provided in such forms of the Bonds, and to deliver to the Bond Trustee for authentication on behalf of the Commission, the Bonds in definitive form, which shall be in substantially the forms presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary, appropriate and consistent with the Trust Agreement, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 8. The forms, terms and provisions of the Supplemental Indentures, the Obligations, the Corporation Deed of Trust and the Assignment of Contracts are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications and deletions as the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the Secretary or any Assistant Secretary of the Commission, with the advice of counsel may deem necessary and appropriate; and the execution and delivery of the Trust Agreement as provided in Section 5 of this Series Resolution shall be conclusive evidence of the approval of the documents listed in this Section by the Commission.

Section 9. The Commission hereby approves the action of the Local Government Commission authorizing the private sale of the Bonds to the Bank in accordance with the Purchase Agreement at the purchase price of 100% of the principal amount thereof.

Section 10. Upon their execution in the form and manner set forth in the Trust Agreement, the Bonds shall be deposited with the Bond Trustee for authentication, and the Bond Trustee is hereby authorized and directed to authenticate the Bonds and, upon the satisfaction of the conditions set forth in Section 2.10 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Bank against payment therefor.

Section 11. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as the initial Bond Trustee for the Bonds.

Section 12. If the Bonds are converted to the Weekly Rate, a Long-Term Rate or an Adjustable Rate, the Depository Trust Company, New York, New York is hereby appointed as the initial Securities Depository for the Bonds, with Cede & Co., a nominee thereof, being the initial Securities Depository Nominee and registered owner of the Bonds.

Section 13. Drexdal Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, Steven Lewis, Chief of the Construction Section of the Division of Health Service Regulation, and Kathy C. Larrison, Auditor of the Commission, are each hereby appointed a Commission Representative as that term is defined in the Loan Agreement, with full power to carry out the duties set forth therein.

Section 14. The Chairman, Vice Chairman, Secretary, and any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are each hereby authorized and directed (without limitation except as may be expressly set forth herein) to take such action and to execute and deliver any such documents, certificates, undertakings, agreements or other instruments as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Trust Agreement, the Loan Agreement and the Purchase Agreement.

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

Schedule 1

**2011A Bonds**

\$285,000 4.625% 2011A Serial Bond due March 1, 2015

\$615,000 5.25% 2011A Term Bonds due March 1, 2017

<u>Due March 1</u>	<u>Sinking Fund Requirement</u>
2016	\$300,000
2017	315,000

\$1,480,000 6.25% 2011A Term Bonds due March 1, 2021

<u>Due March 1</u>	<u>Sinking Fund Requirement</u>
2018	\$335,000
2019	360,000
2020	380,000
2021	405,000

\$6,315,000 7.75% 2011A Term Bonds due March 1, 2031

<u>Due March 1</u>	<u>Sinking Fund Requirement</u>
2022	\$435,000
2023	470,000
2024	505,000
2025	550,000
2026	595,000
2027	640,000
2028	690,000
2029	745,000
2030	810,000
2031	875,000

\$13,700,000 7.75% 2011A Term Bonds due March 1, 2041

<u>Due March 1</u>	<u>Sinking Fund Requirement</u>	<u>Due March 1</u>	<u>Sinking Fund Requirement</u>
2032	\$ 945,000	2037	\$1,390,000
2033	1,020,000	2038	1,500,000
2034	1,100,000	2039	1,620,000
2035	1,190,000	2040	1,755,000
2036	1,285,000	2041	1,895,000

Professional Fees Comparison for  
WhiteStone Series 2011A and 2011B Bonds

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Underwriters' discount and placement fee (includes Underwriters' counsel)	\$510,336 (Underwriters' counsel, \$45,000)	\$478,716.50 (Underwriters' counsel, \$45,000)
Feasibility Consultant	115,000	\$155,500
Accountant	45,000	10,000
Corporation Counsel	25,000	50,000
Bond Counsel	70,000	125,000
Bank Commitment Fee	NA	47,000
Bank Counsel	NA	35,000

- 4. RESOLUTION RELATING TO THE AMENDMENT OF THE TRUST AGREEMENT SECURING THE OUTSTANDING NORTH CAROLINA MEDICAL CARE COMMISSION HEALTH CARE FACILITIES FIRST MORTGAGE REVENUE BONDS (CAROL WOODS PROJECT), SERIES 2010** - Remarks were made by Kevin Dougherty

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

WHEREAS, The Chapel Hill Residential Retirement Center, Inc. (the “Corporation”) is a private, nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina; and

WHEREAS, on October 22, 2010, the Commission issued its Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2010 (the “Series 2010 Bonds”), pursuant to that certain Trust Agreement, dated as of October 1, 2010 (the “Trust Agreement”), between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Trustee”); and

WHEREAS, the Commission loaned to the Corporation the proceeds of the Series 2010 Bonds pursuant to a Loan Agreement, dated as of October 1, 2010, between the Commission and the Corporation; and

WHEREAS, the Series 2010 Bonds were issued on the original issuance date bearing interest at the Bank-Bought Rate (as defined in the Trust Agreement), and Branch Banking and Trust Company (the “Bank Holder”) purchased the Series 2010 Bonds on the original issuance date; and

WHEREAS, the Trust Agreement and the Series 2010 Bonds contain an initial term for the Bank-Bought Minimum Holding Period (as defined in the Trust Agreement) beginning on the date of the original issuance of the Series 2010 Bonds and ending on October 22, 2017; and

WHEREAS, prior to the issuance of the Series 2010 Bonds, the Corporation and the Bank Holder had agreed that the initial term of the Bank-Bought Minimum Holding Period would end on October 22, 2020, as evidenced by the Supplement to Commitment Letter dated July 6, 2010, a copy of which has been presented at this meeting; and

WHEREAS, Section 11.01(a) of the Trust Agreement provides that the Trust Agreement can be amended, with the consent of the Majority Bank Holders (as defined in the Trust Agreement) of the Series 2010 Bonds, for the purpose of curing any ambiguity or defect or omission or correcting or supplementing any provision contained in the Trust Agreement; and

WHEREAS, there has been presented at this meeting a draft of the Supplemental Trust Agreement Amending the Trust Agreement, to be dated as of April 15, 2011 (the “Supplemental Trust Agreement”), between the Commission and the Trustee, correcting the initial term for the

Bank-Bought Minimum Holding Period, to memorialize the understanding of the parties on the original issuance date of the Series 2010 Bonds that the initial term for the Bank-Bought Minimum Holding Period would end on October 22, 2020; and

WHEREAS, the Commission has determined that the public will best be served by the amendment of the Trust Agreement;

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

Section 1. The form, terms and provisions of the Supplemental Trust Agreement are hereby approved in all respects, and the Chairman, 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 Supplemental Trust Agreement 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 and appropriate; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 2. The Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman of the Commission for such purpose, 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, agreements or other instruments, including physical delivery of a certificated Series 2010 Bond in replacement of the certificated Series 2010 Bond being held by the Bank Holder, as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Supplemental Trust Agreement.

Section 3. This Resolution shall take effect immediately upon its passage.

SUPPLEMENTAL TRUST AGREEMENT AMENDING  
THE TRUST AGREEMENT

by and between

NORTH CAROLINA MEDICAL CARE COMMISSION

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Bond Trustee

Dated as of April 15, 2011

North Carolina Medical Care Commission  
Health Care Facilities First Mortgage Revenue Bonds  
(Carol Woods Project),  
Series 2010

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THIS SUPPLEMENTAL TRUST AGREEMENT, made and entered into as of the 15<sup>th</sup> day of April, 2011 (this “Supplemental Trust Agreement”), by and between the North Carolina Medical Care Commission (the “Commission”) and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”) under the Trust Agreement, dated as of October 1, 2010 (the “Trust Agreement”), between the Commission and the Bond Trustee.

WITNESSETH:

WHEREAS, The Chapel Hill Residential Retirement Center, Inc. (the “Corporation”) is a private, nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina; and



WHEREAS, on October 22, 2010 the Commission issued its Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2010 (the “Bonds”), pursuant to the Trust Agreement; and

WHEREAS, the Commission loaned to the Corporation the proceeds of the Bonds pursuant to a Loan Agreement, dated as of October 1, 2010, between the Commission and the Corporation; and

WHEREAS, the Bonds were issued on the original issuance date bearing interest at the Bank-Bought Rate (as defined in the Trust Agreement), and Branch Banking and Trust Company (the “Bank Holder”) purchased the Bonds on the original issuance date; and

WHEREAS, the Trust Agreement and the Bonds contain an initial term for the Bank-Bought Minimum Holding Period (as defined in the Trust Agreement) beginning on the date of the original issuance of the Bonds and ending on October 22, 2017; and

WHEREAS, prior to the issuance of the Bonds, the Corporation and the Bank Holder had agreed that the initial term of the Bank-Bought Minimum Holding Period would end on October 22, 2020, as evidenced by the Supplement to Commitment Letter dated July 6, 2010, a copy of which is attached hereto as Exhibit A; and

WHEREAS, Section 11.01(a) of the Trust Agreement provides that the Trust Agreement can be amended, with the consent of the Majority Bank Holders (as defined in the Trust Agreement) of the Bonds, for the purpose of curing any ambiguity or defect or omission or correcting or supplementing any provision contained in the Trust Agreement; and

WHEREAS, the Commission and the Bond Trustee are entering into this Supplemental Trust Agreement for the purpose of correcting the initial term for the Bank-Bought Minimum Holding Period, to memorialize the understanding of the parties on the original issuance date of the Bonds that the initial term for the Bank-Bought Minimum Holding Period would end on October 22, 2020;

NOW, THEREFORE, in consideration of the premises, the Commission covenants and agrees with the Bond Trustee as follows:

Section 4. Definitions. All capitalized terms used but not otherwise defined herein shall have the meanings given them in the Trust Agreement.

Section 5. Amendments. (a) The term “Bank-Bought Minimum Holding Period” set forth in Section 1.01 of the Trust Agreement is hereby amended by substituting “October 22, 2020” for “October 22, 2017” therein.

(b) Clause (b) of the first paragraph under Mandatory Purchase Dates in the form of the Bonds set forth as Exhibit B to the Trust Agreement is hereby amended by substituting “October 22, 2020” for “October 22, 2017” therein.

Section 6. Ratification of Trust Agreement. As supplemented and amended hereby, the Trust Agreement is in all respects ratified and confirmed.

Section 7. Severability. If any provision of this Supplemental Trust Agreement shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases, because it conflicts with any other provision or provisions hereof or any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses, sections or subsections contained in this Supplemental Trust Agreement shall not affect the remaining portions of this Supplemental Trust Agreement or any part thereto.

Section 8. Counterparts. This Supplemental Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 9. Governing Law. This Supplemental Trust Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina.

Section 10. Effective Date. This Supplemental Trust Agreement shall become effective on April 15, 2011.

IN WITNESS WHEREOF, the Commission has caused these presents to be signed in its name and on its behalf by its Chairman and the Bond Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

NORTH CAROLINA MEDICAL CARE COMMISSION

By \_\_\_\_\_  
Chairman

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Bond Trustee

By \_\_\_\_\_  
Vice President



Branch Banking & Trust Co.

Corporate Banking  
P.O. Box 27981  
Raleigh, NC 27611  
(919) 716-8431  
Fax (919) 716-8330

July 15, 2010

Ms. Patricia Sprigg  
Mr. Ken Reeb  
Board of Directors  
The Chapel Hill Residential Retirement Center, Inc.  
750 Weaver Dairy Road  
Chapel Hill, North Carolina 27514

**SUPPLEMENT TO COMMITMENT LETTER DATED JULY 6, 2010**

Dear Pat and Ken:

On behalf of Branch Banking and Trust Company, we have decided to extend and are very pleased to offer to The Chapel Hill Residential Retirement Center, Inc. an additional tax-exempt bank qualified loan facility option in connection with the above referenced commitment for the Tax-Exempt Loan. The additional option would be as follows:

- (i) Initial Term: Ten (10) Years
- (ii) Commitment Fee: 0.25% of the Tax-Exempt Loan
- (iii) Interest Rate: 68% of One Month LIBOR, adjusted monthly; plus 1.1375% per annum
- (iv) Unused Fee: 0.05%

This option would be in addition to the three current Tax-Exempt Loan Initial Term options described in the commitment dated July 6, 2010 and all other terms and conditions of the commitment dated July 6, 2010 relating to the Tax-Exempt Loan alternative would also apply to this option as well.

We very much value the relationship we have with Carol Woods and are pleased to extend this additional option. If you are interested in selecting this option, please execute this letter in addition to the commitment. If you have any questions, please do not hesitate to give me a call.

Sincerely,

Branch Banking and Trust Company

Steven G. Bullard  
Senior Vice President

We accept the terms and conditions of this supplement to the commitment.

THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.

By:

Dated: JULY 28, 2010

**5. Hospital Rule Change: 10A NCAC 13B .4108 – Observation Status**

Petitioner for rule change: WakeMed - Remarks were made by Jeff Horton and Bob Fitzgerald

**Executive Committee Action:** A motion was made by Dr. George Binder, seconded by Mr. Charles Frock and unanimously approved.

Background

Current hospital rules only allow patients to be in observation beds for up to 24 hours and after such time, the patient is to be discharged or admitted as an inpatient. Current Medicare and private insurance reimbursement practices allow hospitals to keep patients in observation status up to 48 hours and the North Carolina Medicaid program allows patients to be in observation status up to 30 hours. However, since current North Carolina Hospital Licensing Rules only allow use of observation beds up to 24 hours, hospitals following Medicare rules on observation may not be in compliance with state licensure rules. The purpose of the petition is to align current hospital licensing rules with current reimbursement criteria. Although Medicaid only reimburses observation status up to 30 hours, the Division of Medical Assistance and DHSR have had discussions over the past two months and Medical Assistance has indicated they will most likely change their observation status policy to 48 hours to be in line with licensing rules, Medicare and private insurance guidelines.

In addition, during discussions with the petitioner regarding the rule change, we determined it would also make sense to address the issue of psychiatric patients being “boarded” in emergency departments or other areas of the hospital while awaiting placement for a psychiatric hospital bed at another hospital. Therefore, the rule allows hospitals to “board” such patients as necessary without running the risk of being out of compliance with licensing rules.

Fiscal Impact

Discussions with both private insurance (Blue Cross and Blue Shield of North Carolina) and the Division of Medical Assistance reveal that changing the current 24 hour observation rule to 48 hours will not have a fiscal impact on either entity. Blue Cross pointed out in some cases, such as pediatric asthma or when ruling out an acute myocardial infarction (MI), it is preferable to keep the patient in observation status for up to 48 hours to make certain the patient is stable or to rule out MI, respectively, as opposed to admitting to inpatient status, which may cost more money. Therefore, all things considered, the recommended rule change may have a net effect of saving health care costs.

Conclusion

The DHSR is supportive of the rule change for a number of reasons:

- It will afford hospital clinicians the latitude of observing patients for longer periods of time in order to allow for better decisions regarding discharge or admission for further examination or treatment.
- It will align the hospital licensure rules regarding observation status with current reimbursement guidelines for such services;

- Alignment of rules with reimbursement criteria for observation status will make it more straightforward and easier to comply with requirements;
- Allowing patients to remain in observation status longer may actually save health care costs compared to admitting patients to inpatient beds.

Allowing hospitals to board psychiatric patients while awaiting placement for a psychiatric hospital bed at another hospital reduces risk of the hospital being cited for noncompliance with hospital licensing rules regarding observation status or inpatient status.

## **6. 10A NCAC 13B .4108      OBSERVATION BEDS STATUS**

~~When observation beds are used, the facility shall implement written policies and procedures that address the type of patient use, the mechanism for providing appropriate clinical monitoring, the length of time services may be provided in this setting and documentation requirements.~~

(a) As used in this rule "observation status" means a designation assigned to patients who come to the emergency department or are referred by a physician for observation and who then require a period of treatment or monitoring before a clinical decision is made concerning their next placement. A patient may be in observation status for up to 48 hours except in cases where it is documented by a physician that reasonable and necessary outpatient observation should exceed 48 hours, Except as provided in (b) of this rule, the hospital shall ensure that once there is sufficient information to render this clinical decision, the patient is admitted, appropriately transferred, or discharged. Observation status may be provided in licensed hospital beds, space previously approved by the Division as suitable for use as an observation bed or space the hospital administrator certifies in a letter to the Division is adequate to safeguard the health and safety of patients. The letter shall include the location in the hospital where the space is located; however use of this space shall be revoked if the Division determines, as a result of a physical site visit, that safeguards are not adequate to protect the health and safety of patients.

(b) In the case of a psychiatric patient who is awaiting placement for a psychiatric bed in another hospital, the patient may be provided room and board until such placement is available as long as measures are in place to protect the patient's health and safety.

*History Note:      Authority G.S. 131E-79;  
                                 Eff. January 1, 1996.*

7. **Adjournment**

There being no further business, the meeting was adjourned at 11:50 a.m.

Respectfully submitted,

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Christopher B. Taylor, C.P.A.  
Assistant Secretary

