

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

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

**MINUTES**

**CALLED MEETING OF THE EXECUTIVE COMMITTEE  
CONFERENCE TELEPHONE MEETING ORIGINATING FROM THE  
COMMISSION'S OFFICE  
OCTOBER 12, 2012  
2:00 P.M.**

**Members of the Executive Committee Present:**

Lucy Hancock Bode, Chairman  
Joseph D. Crocker, Vice-Chairman  
George H.V. Cecil  
Albert F. Lockamy  
Dr. Carl Rust

**Members of the Executive Committee Absent:**

Dr. George A. Binder  
Mary L. Piepenbring

**Members of Staff Present:**

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

**Others Present:**

Thomas M. Brewer, BB&T Capital Markets  
Kevin Dougherty, McGuire Woods, LLP  
Thomas Johnson, Southeastern Regional Medical Center

1. **Purpose of meeting**

To consider for approval the sale of bonds for Southeastern Regional Medical Center.

2. **SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF \$40,210,000 NORTH CAROLINA MEDICAL CARE COMMISSION HOSPITAL REVENUE REFUNDING BONDS (SOUTHEASTERN REGIONAL MEDICAL CENTER), SERIES 2012** – Remarks were made by Tommy Brewer, Kevin Dougherty and Thomas Johnson

**Executive Committee Action:** A motion was made by Mr. Al Lockamy, seconded Mrs. Lucy Bode and unanimously approved with Mr. George Cecil and Dr. Carl Rust abstaining from the vote.

**WHEREAS**, the North Carolina Medical Care Commission (the “Commission”) is a commission of the Department of Health and Human Services of the State of North Carolina and is authorized under Chapter 131A of the General Statutes of North Carolina, as amended (the “Act”), to borrow money and to issue in evidence thereof bonds and notes for the purpose of providing funds to pay all or any part of the cost of financing or refinancing health care facilities; and

**WHEREAS**, Southeastern Regional Medical Center (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, which owns and operates health care facilities located in Robeson County, North Carolina; 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) refund the Commission’s outstanding Hospital Revenue Bonds (Southeastern Regional Medical Center), Series 1999 (the “Series 1999 Bonds”) and the Commission’s outstanding Hospital Revenue Bonds (Southeastern Regional Medical Center), Series 2002 (the “Series 2002 Bonds” and, together with the Series 1999 Bonds, the “Prior Bonds”), other than \$775,000 in aggregate principal amount of the Series 2002 Bonds that will be mandatorily redeemed on October 31, 2012 in accordance with the sinking fund requirements therefor, and (b) pay certain expenses incurred in connection with the authorization and issuance of the Bonds (as hereinafter defined); and

**WHEREAS**, the Commission has determined that the public will best be served by the proposed refinancing described above, and, by resolution adopted on April 24, 2012, 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 the Preliminary Official Statement, dated September 12, 2012, as supplemented by the Supplement to Preliminary Official Statement, dated September 28, 2012 (the “Preliminary Official Statement”), and draft copies of the following documents relating to the issuance of the Bonds:

(a) the Contract of Purchase for the Bonds, dated October 12, 2012 (the “Contract of Purchase”), by and between the Local Government Commission of North Carolina (the “Local Government Commission”) and BB&T Capital Markets, a division of Scott & Stringfellow, LLC, and Wells Fargo Bank, National Association (the “Underwriters”), and approved by the Commission and the Corporation;

(b) Supplemental Indenture for Obligation No. 6, dated as of October 1, 2012 (“Supplemental Indenture No. 6”), by and between the Corporation and U.S. Bank National Association, as master trustee (the “Master Trustee”), supplementing the Amended and Restated Master Trust Indenture, dated as of June 1, 2006 (the “Master Trust Indenture”), by and among the Corporation, Health Horizons, Inc. (“Horizons”), Southeastern Regional Medical Center Foundation (“SRMC Foundation”), Executive Credit Collections (“ECC”) and the Master Trustee;

(c) the Trust Agreement, dated as of October 1, 2012 (the “Trust Agreement”), by and between the Commission and U.S. Bank National Association, 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 October 1, 2012 (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. 6, dated the date of its delivery (“Obligation No. 6”), to be issued by the Corporation to the Commission pursuant to Supplemental Indenture No. 6; and

(f) the proposed First Amendment to Amended and Restated Master Trust Indenture, dated as of October 1, 2012 (the “Proposed First Amendment to Master Indenture”), by and among the Corporation, Horizons, SRMC Foundation, ECC, Southeastern Regional Physician Services (“Physician Services” and, together with the Corporation, Horizons, SRMC Foundation and ECC, the “Members of the Obligated Group”) and the Master Trustee; and

**WHEREAS**, the Commission has determined that, taking into account the historical financial performance of the Members of the Obligated Group and financial forecasts internally generated by the Corporation, the Members of the Obligated Group are financially responsible and capable of fulfilling their respective obligations under the Loan Agreement, Obligation No. 6, Supplemental Indenture No. 6 and the Master Trust Indenture; and

**WHEREAS**, the Commission has determined that the public interest will be served by the proposed refinancing 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 Hospital Revenue Refunding Bonds (Southeastern Regional Medical Center), Series 2012 in the aggregate principal amount of \$40,210,000 (the "Bonds"). 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 and made a part hereof.

The Bonds shall be issued as fully-registered bonds, initially 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 on each June 1 and December 1, beginning June 1, 2013, until the Bonds are fully paid. Payments of principal 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 and purchase in lieu of 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 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 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 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 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. 6, Obligation No. 6 and the Proposed First Amendment to Master Indenture 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. 6, Obligation No. 6 and the Proposed First Amendment to Master Indenture 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 price of \$43,978,493.15 (representing the principal amount of the Bonds, less an Underwriters' discount of \$281,470.00, plus net original issue premium of \$4,049,963.15).

**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 due and valid execution of the Contract of Purchase, the Trust Agreement, Supplemental Indenture No. 6, Obligation No. 6 and the Loan Agreement by the proper parties thereto, the Bond Trustee shall deliver the Bonds to the Underwriters against payment therefor, subject to the provisions of Section 2.08 of the Trust Agreement.

**Section 11.** The Commission hereby ratifies the use and distribution of the Preliminary Official Statement in connection with the sale of the Bonds, and the Official Statement (the "Official Statement"), in substantially the form of the Preliminary Official Statement, with such changes as are necessary to reflect the maturities, redemption provisions and interest rates of the

Bonds, is hereby approved, and the Chairman, 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; and 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 Trust Indenture, Supplemental Indenture No. 6, Obligation No. 6 and the Proposed First Amendment to Master Indenture by the Underwriters in connection with such 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.

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

**Section 14.** U.S. Bank National Association is hereby appointed as Bond Trustee under the Trust Agreement.

**Section 15.** The Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman of the Commission, 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, consents, agreements or other instruments, as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions, including the redemption of the Prior Bonds, contemplated by the Trust Agreement, the Loan Agreement, the Master Trust Indenture, Supplemental Indenture No. 6, Obligation No. 6, the Contract of Purchase and the Official Statement.

**Section 16.** A comparison of the professional fees as set forth in the resolution adopted by the Commission granting preliminary approval of this refinancing with the actual professional fees incurred in connection with this refinancing is set forth in Schedule 2 attached hereto and made a part hereof.

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

**Schedule 1**  
**Maturity Schedule**

**Serial Bonds**

| <b>Maturity Date<br/>(June 1)</b> | <b>Principal Amount</b> | <b>Interest Rate</b> |
|-----------------------------------|-------------------------|----------------------|
| 2013                              | \$ 2,375,000            | 2.000 %              |
| 2014                              | 1,415,000               | 2.000                |
| 2015                              | 1,440,000               | 3.000                |
| 2016                              | 1,485,000               | 3.000                |
| 2017                              | 1,530,000               | 4.000                |
| 2018                              | 1,595,000               | 4.000                |
| 2019                              | 1,650,000               | 4.000                |
| 2020                              | 1,720,000               | 4.000                |
| 2021                              | 1,790,000               | 2.375                |
| 2022                              | 1,830,000               | 2.500                |
| 2023                              | 1,875,000               | 5.000                |
| 2024                              | 1,970,000               | 5.000                |
| 2025                              | 2,070,000               | 5.000                |
| 2026                              | 2,175,000               | 5.000                |
| 2027                              | 2,280,000               | 3.250                |

**Term Bonds**

| <b>Maturity Date<br/>(June 1)</b> | <b>Principal Amount</b> | <b>Interest Rate</b> |
|-----------------------------------|-------------------------|----------------------|
| 2032                              | \$ 13,010,000           | 5.000 %              |

**Sinking Fund Requirements**

| <b>Year<br/>(June 1)</b> | <b>Amount</b> |
|--------------------------|---------------|
| 2028                     | \$ 2,355,000  |
| 2029                     | 2,475,000     |
| 2030                     | 2,595,000     |
| 2031                     | 2,725,000     |
| 2032                     | 2,860,000     |

**Schedule 2**

**Professional Fees**

| <u>Professional</u>   | <u>Preliminary Approval</u> | <u>Actual</u> |
|-----------------------|-----------------------------|---------------|
| Underwriters' Counsel | \$ 45,000                   | \$ 48,000     |
| Accountants           | 15,000                      | 8,875         |
| Corporation Counsel   | 35,000                      | 50,000        |
| Bond Counsel          | 60,000                      | 67,500        |

**3. Adjournment**

There being no further business, the meeting was adjourned at 2:25 p.m.

Respectfully submitted,

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Christopher B. Taylor  
Assistant Secretary