

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
JULY 23, 2013
11:00 A.M.**

Members of the Executive Committee Present:

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

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:

Allen K. Robertson, Robinson Bradshaw & Hinson, PA

1. **Purpose of Meeting**

To approve the conversion of the Commission's Variable Rate Demand Health Care Facilities Revenue Bonds (Hugh Chatham Memorial Hospital Project) Series 2008 to an "Index Interest Rate" mode.

2. **Resolution of the North Carolina Medical Care Commission Approving the Conversion of the North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Bonds (Hugh Chatham Memorial Hospital Project) Series 2008 to an "Index Interest Rate" Mode** – Remarks were made by Allen Robertson.

Executive Committee Action: A motion was made by Mr. Joe Crocker, seconded by Mr. Al Lockamy and unanimously approved with Mr. George Cecil 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 to refund bonds previously issued by the Commission; and

WHEREAS, Hugh Chatham Memorial Hospital, Inc. d/b/a Hugh Chatham Memorial Hospital (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 "non-profit agency" within the meaning of the Act; and

WHEREAS, on September 24, 2008, the Commission issued its Variable Rate Demand Health Care Facilities Revenue Bonds (Hugh Chatham Memorial Hospital Project) Series 2008 in the aggregate principal amount of \$45,455,000, of which \$43,600,000 principal amount are outstanding (the "Bonds"), pursuant to a Trust Agreement, dated as of September 1, 2008 (the "Original Trust Agreement"), between the Commission and U.S. Bank National Association, as bond trustee (the "Bond Trustee"), and loaned the proceeds from the sale of the Bonds to the Corporation pursuant to a Loan Agreement, dated as of September 1, 2008 (the "Original Agreement"), between the Commission and the Corporation; and

WHEREAS, since they were issued, the Bonds have been bearing interest at the Weekly Rate (as defined in the Original Trust Agreement) and are secured by an irrevocable letter of credit (the "Letter of Credit") issued by Wachovia Bank, National Association, succeeded by Wells Fargo Bank, National Association (the "Bank"); and

WHEREAS, as an alternative to renewing the Letter of Credit, Wells Fargo Municipal Capital Strategies, LLC, an affiliate of the Bank (the "Purchaser"), has offered to purchase the

Bonds and hold them for three years at a variable interest rate equal to 70% of the one-month LIBOR Index plus 1.65% per annum, subject to adjustment under certain circumstances; and

WHEREAS, to enable the Purchaser to purchase and hold the Bonds, the Original Trust Agreement must be amended and restated to add an “Index Interest Rate” mode and then the Bonds must be remarketed to the Purchaser upon conversion to that mode; and

WHEREAS, the conversion of the Bonds to the Index Interest Rate mode (the “Conversion”) will be treated as a “reissuance” (i.e., a deemed current refunding) of the Bonds for federal income tax purposes; and

WHEREAS, by a resolution adopted on June 27, 2013, the Commission preliminarily approved the Conversion, 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 Conversion:

(a) an Amended and Restated Trust Agreement, dated as of July 25, 2013 (the “Trust Agreement”), between the Commission and the Bond Trustee;

(b) an Amended and Restated Loan Agreement, dated as of July 25, 2013 (the “Loan Agreement”), between the Commission and the Corporation;

(c) an Amended and Restated Supplemental Indenture for Obligation No. 3, dated as of July 25, 2013 (“Supplement No. 3”), between the Corporation and U.S. Bank National Association, as master trustee (in such capacity, the “Master Trustee”) under the Amended and Restated Master Trust Indenture, dated as of September 1, 2008 (as supplemented, the “Master Indenture”), between the Corporation and the Master Trustee;

(d) an Amended and Restated Obligation No. 3, dated as of July 25, 2013 (“Obligation No. 3”), from the Corporation to the Commission;

(e) a Continuing Covenant Agreement, dated as of July 25, 2013 (the “Continuing Covenant Agreement”), between the Corporation and the Purchaser;

(f) a Supplemental Indenture for Obligation No. 6, dated as of July 25, 2013 (“Supplement No. 6” and together with Supplement No. 3, the “Supplemental Indentures”), between the Corporation and the Master Trustee; and

(g) an Obligation No. 6, dated as of July 25, 2013 (“Obligation No. 6” and together with Obligation No. 3, the “Obligations”), from the Corporation to the Purchaser; and

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

Section 1. Capitalized words and terms used in this final resolution and not defined herein shall have the same meanings in this final 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 and approves the Conversion. As set forth in the Original Trust Agreement and the Trust Agreement, the Bonds mature on October 1, 2038 and are subject to the Sinking Fund Requirements set forth in Schedule 1 hereto.

Section 3. 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 4. 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 5. The forms, terms and provisions of the Supplemental Indentures, the Obligations and the Continuing Covenant Agreement 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 3 of this Final Resolution shall be conclusive evidence of the approval of the documents listed in this Section by the Commission.

Section 6. Lucy H. Bode, Chairman of the Commission, Drexdal R. Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, Kathy C. Larrison, Auditor to the Commission, and Crystal Watson-Abbott, Auditor to 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 7. 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 Conversion.

Section 8. This Final Resolution shall take effect immediately upon its passage.

3. Adjournment

There being no further business, the meeting was adjourned at 11:20 a.m.

Respectfully submitted,

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

Required Redemption of the Bonds

<u>October 1,</u>	<u>Sinking Fund Requirement</u>	<u>October 1,</u>	<u>Sinking Fund Requirement</u>
2010	\$ 595,000	2025	\$1,075,000
2011	620,000	2026	1,115,000
2012	640,000	2027	1,160,000
2013	670,000	2028	1,200,000
2014	695,000	2029	1,255,000
2015	725,000	2030	1,305,000
2016	750,000	2031	1,355,000
2017	785,000	2032	1,405,000
2018	815,000	2033	1,465,000
2019	845,000	2034	4,100,000
2020	880,000	2035	4,265,000
2021	920,000	2036	4,435,000
2022	950,000	2037	4,615,000
2023	990,000	2038*	4,800,000
2024	1,025,000		

* Maturity

Professional Fees Comparison for
Hugh Chatham Memorial Hospital, Inc.
Series 2008 Conversion

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Bank counsel	\$30,000	\$30,000
Financial advisor	45,000	45,000
Bond counsel	53,000	50,000
Corporation counsel	42,000	42,000

