

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 10, 2014
11:00 A.M.**

Members of the Executive Committee Present:

John A. Fagg, MD, Chairman
Joseph D. Crocker, Vice-Chairman
George A. Binder, MD
George H. V. Cecil
Albert F. Lockamy, R.Ph.
Carl K. Rust, MD

Members of the Executive Committee Absent:

Mary L. Piepenbring

Members of Staff Present:

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

Others Present:

Alice Adams, Robinson Bradshaw & Hinson, PA
Tommy Brewer, Ziegler
Adam Garcia, Ziegler
Allen Robertson, Robinson Bradshaw & Hinson, PA

1. **Purpose of Meeting**

To (a) authorize the sale of bonds, the proceeds of which are to be loaned to The United Methodist Retirement Homes, Incorporated (the "Corporation") and (b) authorize the execution and delivery of a First Supplemental Trust Agreement for the 2014A Bonds issued for the benefit of the Corporation.

2. **Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of up to \$16,630,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (The United Methodist Retirement Homes), Series 2014B.** – Remarks were made by Tommy Brewer and Allen Robertson

Executive Committee Action: A motion was made by Mr. Lockamy, seconded by Dr. Binder and unanimously approved with Dr. Fagg, Mr. Cecil and Dr. 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 (including retirement facilities) and to refund bonds previously issued by the Commission; and

WHEREAS, The United Methodist Retirement Homes, Incorporated, successor by merger to Cypress Glen Retirement Community (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 (1) refund a portion of the Commission's outstanding Retirement Facilities First Mortgage Revenue Refunding Bonds (The United Methodist Retirement Homes Project), Series 2005C (the "2005C Bonds") and (2) pay certain expenses incurred in connection with the issuance of the Bonds (as hereinafter defined) by the Commission; and

WHEREAS, the proceeds of the 2005C Bonds were used, together with other funds, to (1) refund a portion of the Commission's then outstanding Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project) Series 2000 (the "2000 Bonds"), (2) fund an account within the parity debt service reserve fund, and (3) pay certain expenses incurred in connection with the issuance of the 2005C Bonds by the Commission. The proceeds of the 2000 Bonds were used for the purpose of (a) refunding a portion of outstanding

taxable indebtedness, the proceeds of which were used to finance or refinance the costs of acquiring, constructing, equipping and furnishing Croasdaile Village (the "2000 Project"), (b) funding a debt

service reserve fund, and (c) paying certain expenses incurred in connection with the issuance of the 2000 Bonds by the Commission. The 2000 Project includes (i) 186 independent living apartments located in a central building, (ii) an approximately 35,000 square foot activity building offering dining services and other various amenities and services, (iii) 71 cottages and homes, (iv) 56 residential assisted living units, (v) 15 licensed assisted living units, (vi) 99 licensed skilled nursing units and (vii) 30 licensed special care units for dementia patients; and

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on November 14, 2014, 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 Trust Agreement, dated as of December 1, 2014 (the "Trust Agreement"), between the Commission and U.S. Bank National Association, as bond trustee (the "Bond Trustee");

(b) a Loan Agreement, dated as of December 1, 2014 (the "Loan Agreement"), between the Commission and the Corporation;

(c) a Supplemental Indenture for Obligation No. 19, dated as of December 1, 2014 ("Supplement No. 19"), by and between the Corporation, The United Methodist Retirement Homes Foundation (the "Foundation") and U.S. Bank National Association, successor to First-Citizens Bank & Trust Company, as master trustee (the "Master Trustee") under the Amended and Restated Master Trust Indenture, dated as of February 1, 2005 (as amended and supplemented, the "Master Indenture"), between the Corporation, the Foundation and the Master Trustee;

(d) Obligation No. 19, dated as of the date of issuance of the Bonds, ("Obligation No. 19"), to be issued by the Corporation to the Commission;

(e) a Contract of Purchase, dated the date of issuance of the Bonds, between the Local Government Commission of North Carolina and Branch Banking and Trust Company, as the initial purchaser of the Bonds (the "Bank Holder"), and approved by the Commission and the Corporation;

(f) a Supplemental Indenture for Obligation No. 20, dated as of December 1, 2014 (“Supplement No. 20,” and together with Supplement No. 19, the “Supplemental Indentures”), by and between the Corporation, the Foundation and the Master Trustee;

(g) Obligation No. 20, dated as of the date of issuance of the Bonds (“Obligation No. 20,” and together with Obligation No. 19, the “Obligations”), to be issued by the Corporation to the Bank Holder;

(h) a Second Amendment to Amended and Restated/Supplemental Deed of Trust, dated as of December 1, 2014 (the “Second Amendment”), among the Corporation, the trustee named therein and the Master Trustee, amending and supplementing the Amended and Restated/Supplemental Deed of Trust, dated as of April 1, 2013 (as amended, the “Pitt County Deed of Trust”), from the Corporation to the trustee named therein for the benefit of the Master Trustee; and

(i) two Sixth Amendments to Amended and Restated/Supplemental Deed of Trust, each dated as of December 1, 2014 (collectively, the “Sixth Amendments”), among the Corporation, the trustee named therein, and the Master Trustee, which amend each of the Amended and Restated/Supplemental Deeds of Trust, each dated as of February 1, 2005 (as amended, the “Durham and Robeson Deeds of Trust,” and together with the Pitt County Deed of Trust, the “Corporation Deeds of Trust”), from the Corporation to the trustee named therein for the benefit of the Master Trustee, as amended; 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 Refunding Bonds (The United Methodist Retirement Homes), Series 2014B (the “Bonds”), in the aggregate principal amount of up to \$16,630,000. The Bonds shall mature on October 1, 2024 and shall bear interest at such rates determined in accordance with the Trust Agreement and shall be subject to the Sinking Fund Requirements set forth in Schedule 1 hereto.

During the initial Bank-Bought Rate Period (which is to maturity) the Bonds will bear interest at 78% of one-month LIBOR plus 1.3925%, 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 (provided, however, Bonds bearing interest at the Bank-Bought Rate may be initially issued to, and purchased by, the Bank Holder in any principal amount) and (ii) denominations of \$5,000 and any integral multiples 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, extraordinary and mandatory 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 (a) refund \$16,430,000 principal amount of the 2005C Bonds maturing or subject to mandatory redemption on October 1, 2016 through October 1, 2024 (the "Refunded Bonds") and (b) 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 Second Amendment and the Sixth Amendments, 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 Holder 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. U.S. Bank National Association 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 of the Bonds, with Cede & Co., a nominee thereof, 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 Lewis, Chief of the Construction Section of the Division of Health Service Regulation, and Kathy C. Larrison and Crystal Watson-Abbott, Auditors for 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 refunding of the Refunded Bonds and the transactions contemplated by the Trust Agreement, the Loan Agreement, the Purchase Agreement.

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

3. **Resolution of the North Carolina Medical Care Commission Approving and Authorizing Execution and Delivery of a First Supplemental Trust Agreement Relating to the North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (The United Methodist Retirement Homes Project), Series 2014A (the "2014A Bonds")** – Remarks were made by Chris Taylor and Allen Robertson.

Executive Committee Action: A motion was made by Mr. Lockamy, seconded by Dr. Binder and unanimously approved with Dr. Fagg, Mr. Cecil and Dr. Rust abstaining from the vote.

WHEREAS, the North Carolina Medical Care Commission (the "Commission"), a commission of the Department of Health and Human Services of the State of North Carolina, has issued \$12,025,0000 aggregate principal amount of its Retirement Facilities First Mortgage Revenue Refunding Bonds (The United Methodist Retirement Homes), Series 2014A (the "2014ABonds"); and

WHEREAS, the Bonds were issued pursuant to the terms of a Trust Agreement dated as of July 1, 2014 (the "Trust Agreement") between the Commission and U.S. Bank National Association, as Bond Trustee (the "Bond Trustee"), and the Commission loaned the proceeds of the Bonds to the Corporation pursuant to a Loan Agreement dated as of July 1, 2014 (the "Agreement") between the Commission and the Corporation; and

WHEREAS, the Bonds were purchased upon their initial issuance and continue to be held by Branch Banking and Trust Company (the "Bank Holder"); and

WHEREAS, the Bank Holder agreed to hold the 2014A Bonds to maturity of the 2014A Bonds on October 1, 2024, as reflected in the 2014A Bonds; and

WHEREAS, in connection with preparing the documents for the Commission's Retirement Facilities First Mortgage Revenue Refunding Bonds (The United Methodist Retirement Homes), Series 2014B, a typographical error was discovered in the definition of "Bank-Bought Minimum Holding Period" where the reference to July 16, 2024 should have been October 1, 2024; and

WHEREAS, Section 11.01 and 11.08 of the Trust Agreement permit the Commission and the Bond Trustee, with the consent of the Majority Bank Holders (as defined in the Trust Agreement) of 100% of the Bonds, to enter into agreements supplemental to the Trust Agreement to correct any provision in the Trust Agreement; and

WHEREAS, there has been presented at this meeting a draft copy of a First Supplemental Trust Agreement, to be dated the date of delivery thereof (the "Supplement") between the Commission and the Bond Trustee, that would amend the Trust Agreement to revise the definition of "Bank-Bought Minimum Holding Period" to reflect the date of October 1, 2024; and

WHEREAS, the Corporation has requested that the Commission approve the Supplement and authorize its execution and delivery;

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

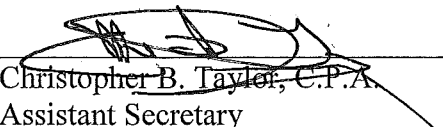
Section 1. The form, terms and provisions of the Supplement are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) is hereby authorized and directed to execute and deliver the Supplement in substantially the form presented at this meeting, together with such changes, modifications and deletions as they, with the advice of bond 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. This Resolution shall take effect immediately upon its passage.

4. **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

Series 2014B Bonds

<u>Due October 1</u>	<u>Sinking Fund Requirement</u>
2016	\$1,615,000
2017	1,660,000
2018	1,720,000
2019	1,780,000
2020	1,845,000
2021	1,900,000
2022	1,970,000
2023	2,035,000
2024*	2,105,000

* Maturity

Professional Fees Comparison for
 The United Methodist Retirement Homes, Incorporated Series 2014B Bonds

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Structuring fee (Ziegler)	\$83,125	\$83,125
Bond counsel	50,000	40,000
Corporation counsel	20,000	23,000
Bank commitment fee	20,000	20,000
Bank counsel	20,000	20,000