

STATE OF NORTH CAROLINA  
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 OF THE COMMISSION  
CONFERENCE TELEPHONE MEETING ORIGINATING  
FROM THE OFFICES OF THE COMMISSION

October 6, 2016  
2:00 P.M.

**Members of the Commission Present:**

John A. Fagg, M.D., Chairman  
Joseph D. Crocker, Vice-Chairman  
Eileen Kugler  
Carl K. Rust, II, M.D.

**Members of the Commission Absent:**

Charles T. Frock  
Charles H. Hauser  
Robert E. Schaaf, M.D.

**Members of Staff Present:**

S. Mark Payne, DHSR Director/MCC Secretary  
Christopher B. Taylor, CPA, Assistant Secretary  
Crystal Watson-Abbott, MCC Auditor  
Alice Creech, Executive Assistant

**Others Present:**

David Lacy, Southminster  
Kendra Laughey, Southminster  
Jon Mize, Womble Carlyle Sandridge & Rice, LLP  
Tad Melton, Ziegler  
Adam Garcia, Ziegler  
Allen Robertson, Robinson Bradshaw & Hinson, P.A.  
Robert Fritts, Blue Ridge Healthcare System  
Mark Keener, Carolinas Healthcare System  
Chris Nordberg, Carolinas Healthcare System

1. **Purpose of Meeting**

To consider a resolution authorizing the sale and issuance of bonds, the proceeds of which will be loaned to Southminster, Inc. and a preliminary approval for a refinancing transaction for Blue Ridge Healthcare System.

2. **Series Resolution Authorizing the Issuance of \$58,765,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (Southminster), Series 2016 (the "Bonds")**.

Tad Melton and Jon Mize made remarks.

**Executive Committee Action:** Motion was made by Dr. Rust, seconded by Mrs. Kugler, 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; and

WHEREAS, Southminster, Inc. (the "Corporation") is a North Carolina nonprofit corporation and a "non-profit agency" within the meaning and intent of the Act, which owns and operates a continuing care facility for the elderly in Charlotte, North Carolina; and

WHEREAS, the Corporation has made application to the Commission for a loan to be made to the Corporation for the purpose of providing funds, together with other available funds, to (a) advance refund a portion of its outstanding North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (Southminster Project), Series 2007A, dated November 15, 2007 (the "Refunded Bonds") and (b) pay certain fees and expenses incurred in connection with the sale and issuance of the Bonds; and

WHEREAS, the Commission has determined that the public interest will be best served by the proposed financing and, by resolution adopted by the Executive Committee of the Commission on August 19, 2016, has approved the issuance of the Bonds, subject to compliance 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 or executed copies, as applicable, of the following documents relating to the issuance of the Bonds:

(a) Second Amended and Restated Master Trust Indenture, dated as of November 1, 2007 (the "Master Indenture"), between the Corporation and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.), as trustee (the "Master Trustee");

(b) Supplemental Indenture for Obligation No. 14, to be dated as of November 1, 2016 (the "Supplemental Indenture No. 14"), between the Corporation and the Master Trustee, supplementing the Master Indenture;

(c) Obligation No. 14, to be dated as of the date of delivery thereof ("Obligation No. 14"), to be issued by the Corporation to the Commission;

(d) Trust Agreement, to be dated as of November 1, 2016 (the "Trust Agreement"), between the Commission and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Bond Trustee"), together with the form of the Bonds attached as an exhibit thereto;

(e) Loan Agreement, to be dated as of November 1, 2016 (the "Loan Agreement"), between the Commission and the Corporation;

(f) Second Amended and Restated Deed of Trust, dated as of November 1, 2007 (the "Original Deed of Trust"), from the Corporation to the deed of trust trustee named therein for the benefit of the Master Trustee, as amended by a First Amendment to Second Amended and Restated Deed of Trust, dated as of December 10, 2014 (the "First Amendment"), and to be amended by a Second Amendment to Second Amended and Restated Deed of Trust, to be dated as of November 1, 2016 (the "Second Amendment" and, together with the First Amendment and the Original Deed of Trust, the "Deed of Trust");

(g) Escrow Deposit Agreement, to be dated as of November 1, 2016 (the "Escrow Agreement"), among the Commission, the Corporation and The Bank of New York Mellon Trust Company, N.A., as escrow agent, relating to the refunding of the Refunded Bonds;

(h) Contract of Purchase, to be dated the date of delivery thereof (the "Contract of Purchase"), between the Local Government Commission of North Carolina (the "LGC") and B.C. Ziegler and Company, as representative of the underwriters of the Bonds (the "Underwriters"), and approved by the Commission and the Corporation; and

(i) Preliminary Official Statement of the Commission, dated September 15, 2016 (the "Preliminary Official Statement"), relating to the offering and sale of the Bonds; and

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Master Indenture, Supplemental Indenture No. 14, Obligation No. 14, the Loan Agreement, the Escrow Agreement and the Contract of Purchase; and

WHEREAS, the Commission has determined that the public interest will be served by the proposed refinancing and that adequate provision has been made for the payment of the principal of, redemption premium, if any, and interest on the Bonds;

NOW THEREFORE, BE IT RESOLVED by the Executive Committee of the North Carolina Medical Care Commission as follows:

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

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of the Bonds in the aggregate principal amount of \$58,765,000. The Bonds shall be dated as of the date of delivery thereof and mature in such amounts and at such times and shall bear interest at such rates as are set forth in Exhibit A attached hereto and made a part hereof.

The Bonds shall be issued as fully registered bonds 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 semiannually on each April 1 and October 1, beginning April 1, 2017, until the Bonds are fully paid. Payments of principal of 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 Trust Agreement.

Section 3. The Bonds shall be subject to optional, extraordinary and mandatory sinking fund 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 2.09 of the Trust Agreement.

Section 5. The forms, terms and provisions of the Loan Agreement, the Trust Agreement and the Escrow 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 for such purpose and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute and deliver the Loan Agreement, the Trust Agreement and the Escrow 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 or 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; 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 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 for such purpose is hereby authorized and directed to execute and deliver the Contract of Purchase in substantially the form presented at this meeting, together with such changes, modifications, insertions and deletions as such Chairman, the Vice Chairman or such member of the Commission, with the advice of counsel, may deem necessary or appropriate, including but not limited to changes, modifications and deletions necessary to incorporate the final terms of the Bonds; and 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 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 at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary or 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 Obligation No. 14, Supplemental Indenture No. 14 and the Second Amendment are hereby approved in substantially the forms presented at this meeting, together with such changes, modifications and deletions as the Chairman or Vice Chairman, with the advice of counsel, may deem necessary and appropriate; and the execution and delivery of the Trust Agreement by the Commission shall be conclusive evidence of the approval of Obligation No. 14, Supplemental Indenture No. 14 and the Second Amendment by the Commission.

Section 9. The Commission hereby approves the action of the LGC in awarding the Bonds to the Underwriters at the price of \$63,919,777.45 (which price represents the aggregate principal amount of the Bonds, plus a net original issue premium of \$6,036,252.45 and less an underwriters' discount of \$881,475.00).

Section 10. Upon execution of the Bonds in the form and manner set forth in the Trust Agreement, the Bonds shall be deposited with the Bond Trustee for authentication, and Bond Trustee is hereby authorized and directed to authenticate the Bonds and, upon compliance with the provisions of Section 2.09 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Underwriters against payment therefor.

Section 11. The Commission hereby ratifies the use and distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds. The preparation and distribution of a final Official Statement (the "Official Statement"), in substantially the form of the Preliminary Official Statement, with such changes as are necessary to reflect the final terms of the Bonds, is hereby approved, and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman for such purpose is hereby authorized to execute and deliver, on behalf of the Commission, the Official Statement in substantially such form, together with such changes, modifications and deletions as the Chairman, the Vice Chairman or such member of the Commission, with the advice of counsel, may deem necessary or appropriate; and such execution and delivery shall be conclusive evidence of the approval thereof by the Commission. The Commission hereby approves and authorizes the distribution and use of copies of each of the above-mentioned documents as presented to the Commission in connection with the offering and sale of the Bonds.

Section 12. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as the initial Bond Trustee for the Bonds and the Escrow Agent for the Refunded Bonds.

Section 13. The Depository Trust Company (“DTC”) 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. The Commission has heretofore executed and delivered to DTC a Blanket Letter of Representations.

Section 14. S. Mark Payne, Secretary, Christopher B. Taylor, C.P.A., Assistant Secretary, Kathy C. Larrison, Auditor and Crystal Watson-Abbott, 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 and in the Trust Agreement.

Section 15. The Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman, 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, agreements or other instruments as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Loan Agreement, the Trust Agreement, the Contract of Purchase, the Escrow Agreement and the Official Statement.

Section 16. The Commission hereby recommends that the Governor of the State of North Carolina approve the issuance of the Bonds pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, and hereby requests such approval.

Section 17. A comparison of the professional fees as set forth in the resolution of the Commission granting preliminary approval of the Bonds with the actual professional fees incurred in connection with the Bonds is set forth as Exhibit B hereto.

Section 18. This Series Resolution shall take effect immediately upon its passage.

**3. Southminster Bond Financing Update**

Prepared: October 5, 2016

STATE OF NORTH CAROLINA  
THE NORTH CAROLINA MEDICAL CARE COMMISSION

Division of Health Service Regulation  
Executive Committee Bond Financing Update Report

Borrower: Southminster, Inc.

Issue Description: Series 2016 Public Offering

	Filing of Application <sup>1</sup>	Release of Preliminary Official Statement <sup>1</sup>	Final Pricing <sup>2</sup>
Par Amount:	\$64,750,000	\$59,495,000	\$58,765,000
Net OIP / (OID)	-	\$5,389,796	\$6,036,252
Maturity Range:	2017-2037	2017-2037	2017-2037
All-In True Interest Cost:	4.71%	4.02%	4.03%
Total Issuance Costs:	\$1,199,450	\$1,103,425	\$1,086,825
Net Present Value Savings (\$)	\$3,209,824	\$8,183,810	\$8,198,298
Net Present Value Savings (%)	5.22%	13.30%	13.33%
Prior Average Coupon	5.72%	5.72%	5.72%
Pricing Date:	10/5/2016	10/5/2016	10/5/2016
Closing Date:	11/10/2016	11/10/2016	11/10/2016
1) Preliminary, subject to change and final pricing results			
2) Final, actual pricing results.			
<b>Professional Fees</b>			
Underwriter	\$969,450	\$892,425	\$881,475
Feasibility Consultant	-	-	-
Accountant	\$20,000	\$20,000	\$20,000
Corporate Counsel	\$40,000	\$40,000	\$40,000
Bond Counsel	\$70,000	\$65,000	\$65,000
Underwriter's Counsel	\$50,000	\$50,000	\$50,000
Bank Fee	-	-	-
Bank Counsel Fee	-	-	-
Trustee Fees	\$7,750	\$7,750	\$7,750
Printing Costs	\$10,000	\$7,700	\$7,700
LGC Reimbursables	\$8,750	\$8,750	\$8,750
Real Estate Related	\$5,000	\$750	\$750
Blue Sky Filing Fees	\$10,000	\$5,000	\$3,600
Verification Agent	\$2,500	\$1,800	\$1,800
Miscellaneous	\$6,000	\$4,250	-
<b>Total</b>	<b>\$1,199,450</b>	<b>\$1,103,425</b>	<b>\$1,086,825</b>

4.

**Blue Ridge Healthcare System, Inc., Morganton**

Christopher B. Taylor

Chris Nordberg and Robert Fritts made remarks

**Executive Committee Action:** Motion was made by Ms. Kugler, seconded by Mr. Crocker, and unanimously approved with the recusal of Dr. Rust.

**Resolution:** The Commission grants preliminary approval to a transaction for Blue Ridge Healthcare System, Inc. to provide funds, to be used to together with other available funds, to refund the \$35,000,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Blue Ridge Healthcare System Project) Series 2005A, outstanding in the amount of \$35,000,000. The proposed Series 2016 Bonds will be purchased by Wells Fargo Bank and held as Bank Bought Bonds, and will carry a fixed-interest rate for the initial holding period of three years. The proposed transaction is anticipated to generate \$2,442,000 in present value savings of (7.0% of refunded bonds) during the three year holding period. The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be issued	\$35,000,000
Corporation equity contribution	<u>129,250</u>
<b>Total Sources</b>	<b>\$35,129,250</b>

**ESTIMATED USES OF FUNDS**

Refund Series 2005A Bonds	\$35,000,000
Corporation counsel	35,000
Bond counsel	30,000
Bank counsel	35,000
Local Government Commission fee	8,750
Trustee Fee	500
Accountants' fee	<u>20,000</u>
<b>Total</b>	<b>\$35,129,250</b>

Tentative approval is given with the understanding that the governing board of Blue Ridge Healthcare System, Inc. accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance/conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance/conversion of bonds.



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

Based on information furnished by applicant, the project is:

- |  |               |     |               |    |               |     |
|--|---------------|-----|---------------|----|---------------|-----|
| 1. Financially feasible                          | <u>  √  </u>  | Yes | <u>      </u> | No | <u>      </u> | N/A |
| 2. Construction and related costs are reasonable | <u>      </u> | Yes | <u>      </u> | No | <u>  √  </u>  | N/A |

**Notes:**

**1. Information from Audit for FYE December 31, 2015**

<b>Operating Income</b>	<b>\$11,252,032</b>
<b>Charge in Unrestricted Net Assets</b>	<b>\$9,921,004</b>
<b>Change in Net Assets</b>	<b>\$9,992,297</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$25,213,159</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>\$15,908,099</b>

**2. Community Benefit Information from FYE 2015 ANDI Form**

<b>Community Benefits</b>	<b>\$54,806,842</b>
<b>Estimated cost of Treating Bad Debt Patients</b>	<b>\$19,101,064</b>

**3. Ratings**

Fitch - N/A  
Moody's - A3  
Standard & Poor's - A

**4. Long Term Debt Service Coverage Ratios**

Actual FYE 2015 5.1  
Forecasted FYE 2016 5.0  
Forecasted FYE 2017 5.4  
Forecasted FYE 2018 6.0

**5. Transaction Participants**

<b>Purchaser of Bonds</b>	<b>Wells Fargo</b>
<b>Bond counsel</b>	<b>Nexsen Pruet</b>
<b>Corporation counsel</b>	<b>Robinson Bradshaw &amp; Hinson, P.A.</b>
<b>Bank counsel</b>	<b>Kutak Rock</b>
<b>Trustee</b>	<b>US Bank</b>

**6. Board Diversity**

Caucasian 96%  
African American 4%  
Other 35% female

7. **Payor Mix % FYE 2015**

<b>Medicare</b>	<b>45.1%</b>
<b>Medicaid</b>	<b>16.7%</b>
<b>Private Pay</b>	<b>38.2%</b>
<b>Total</b>	<b>100%</b>

8. **Compliance** **Crystal Watson-Abbott**

It will be reported to the Commission at the November 2016 Medical Care Commission meeting that Blue Ridge Healthcare had zero findings as of their most recent compliance examination for the fiscal year ended December 31, 2014.

As of September 23, 2016, the routine documents required per the bond covenants for FYE 2015 and FYE 2016 have been timely filed to the Commission. In addition, Blue Ridge Healthcare was in compliance with the Long Term Debt Service Coverage Ratio for FYE 2014 and FYE 2015.

At the time the in depth, compliance examination for FYE 2015 and FYE 2016 is completed, other findings **may be identified that are not routine and typical.**

## EXHIBIT A

MATURITY SCHEDULE

<u>Due October 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2017	\$ 105,000	1.50%
2018	455,000	1.75
2019	500,000	2.00
2019	1,470,000	4.00
2020	1,035,000	2.25
2020	1,000,000	5.00
2021	1,000,000	4.00
2021	1,115,000	5.00
2022	2,215,000	5.00
2023	2,325,000	5.00
2024	600,000	4.00
2024	1,840,000	5.00
2025	2,555,000	5.00
2026	2,680,000	5.00
2031	15,540,000	5.00
2037	2,500,000	4.00
2037	21,830,000	5.00

\$15,540,000 5.00% Term Bond due October 1, 2031

<u>Due October 1</u>	<u>Sinking Fund Requirement</u>
2027	\$2,815,000
2028	2,955,000
2029	3,100,000
2030	3,255,000
2031*	3,415,000

\$21,830,000 5.00% Term Bond due October 1, 2037

<u>Due October 1</u>	<u>Sinking Fund Requirement</u>
2032	\$3,585,000
2033	3,760,000
2034	3,945,000
2035	4,145,000
2036	4,345,000
2037*	2,050,000

\*Maturity

EXHIBIT B


**PROFESSIONAL FEES**

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Underwriters	\$969,450	\$881,475
Accountant/Auditor	20,000	20,000
Bond Counsel	70,000	65,000
Underwriters' Counsel	50,000	45,000
Corporation Counsel	40,000	40,000
Trustee (including counsel)	7,750	7,750

5. **Adjournment**

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

Respectfully submitted,

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

Date: October 6, 2016