

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
NOVEMBER 19, 2009
11:00 A.M.**

Members of the Executive Committee Present:

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

Members of the Executive Committee Absent:

George H. V. Cecil
Mary L. Piepenbring

Members of Staff Present:

Jeff Horton, DHR Acting Director/NCMCC Acting Secretary
Christopher B. Taylor, CPA, Assistant Secretary
Alice S. Creech, Bond Program Assistant

Others Present:

Thomas W. Bradshaw, Morgan Stanley Smith Barney
Allen K. Robertson, Robinson Bradshaw & Hinson, PA

1. **Purpose of Meeting**

To authorize the sale of bonds, the proceeds of which are to be loaned to FirstHealth of the Carolinas, Inc. and a resolution to consider the preliminary approval for a refunding bond issue for Lutheran Retirement.

2. **Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$54,500,000 North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (FirstHealth of the Carolinas Project), Series 2009C (the "Bonds")**-Remarks were made by Tom Bradshaw and Allen Robertson.

Executive Committee Action: Motion was made by Mr. Joe Crocker, seconded by Mr. Gerald Cox and unanimously approved with Mr. Charles Frock 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, FirstHealth of the Carolinas, Inc. (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, the Corporation has made application to the Commission for a loan for the purpose of providing funds to (1) refund \$20,185,000 of the outstanding principal amount of the Commission's Variable Rate Demand Health Care Facilities Revenue Bonds (FirstHealth of the Carolinas Project), Series 2002 (the "2002 Refunded Bonds"), (2) refund all of the \$28,900,000 outstanding aggregate principal amount of the Commission's Variable Rate Demand Health Care Facilities Revenue Refunding Bonds (FirstHealth of the Carolinas Project), Series 2008B (the "2008B Refunded Bonds"), (3) refund \$4,865,000 of the outstanding principal amount of the Commission's Variable Rate Demand Health Care Facilities Revenue Bonds (FirstHealth of the Carolinas Project), Series 2009B (the "2009B Refunded Bonds" and together with the 2002 Refunded Bonds and the 2008B Refunded Bonds, the "Refunded Bonds") and (4) pay, or reimburse the Corporation for paying, 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 refunding and, by resolutions adopted by the Commission on October 7, 2009 and November 13, 2009, has approved the issuance of the Bonds (as defined below), 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 November 19, 2009 (the “Purchase Agreement”), between the Local Government Commission of North Carolina and Citigroup Global Markets Inc. and the other underwriters named therein (the “Underwriters”) 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 December 1, 2009 (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 form of the Bonds;

(c) a Loan Agreement, dated as of December 1, 2009 (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 Supplemental Master Indenture No. 16, dated as of December 1, 2009 (“Supplement No. 16”), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”) under the Second Amended and Restated Master Trust Indenture, dated as of February 1, 1998, between the Corporation and First Union National Bank, succeeded by The Bank of New York Mellon Trust Company, N.A., as master trustee, which includes the form of Master Obligation, Series 2009C, to be dated as of the date of delivery of the Bonds, to be issued by the Corporation to the Commission (“Master Obligation, Series 2009C”); and

(e) a Preliminary Official Statement of the Commission dated November 4, 2009 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. 16 and Master Obligation, Series 2009C; 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 Health Care Facilities Revenue Refunding Bonds (FirstHealth of the Carolinas Project), Series 2009C (the “Bonds”), in the aggregate principal amount of \$54,500,000. 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 issuable in book-entry form as provided in the Trust Agreement. Interest on the Bonds shall be paid on each April 1 and October 1, beginning April 1, 2010, to and including October 1, 2029. 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 the Trust Agreement.

Section 3. The Bonds shall be subject to optional, mandatory and extraordinary 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 2.08 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to refund the Refunded 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 form of the Bonds set forth in the Trust Agreement is 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 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, 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 Supplement No. 16 and Master Obligation, Series 2009C 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 \$54,252,274.55 (representing the principal amount of the Bonds plus net original issue premium of \$234,474.55 and less underwriters' discount of \$482,200).

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 2.08 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 offer and 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. 16 and Master Obligation, Series 2009C by the Underwriters in connection with such offer and 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. The Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, William L. Warren, 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, the Purchase Agreement and the Official Statement.

Section 16. All references in this Resolution to the Secretary of the Commission include any Acting Secretary of the Commission.

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

Schedule 1

Maturity Schedule

\$36,800,000 Serial Bonds

<u>Due October 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2010	\$3,270,000	2.00%
2011	3,630,000	2.50
2012	3,750,000	3.00
2013	3,855,000	3.00
2014	3,975,000	3.00
2015	4,095,000	3.50
2016	4,275,000	4.00
2017	4,455,000	4.00
2018	4,640,000	4.00
2019	855,000	4.00

\$4,800,000 4.50% Term Bonds due October 1, 2024

<u>Due October 1</u>	<u>Sinking Fund Requirement</u>
2020	\$ 895,000
2021	905,000
2022	960,000
2023	1,000,000
2024	1,040,000

\$12,900,000 5.00% Term Bonds due October 1, 2029

<u>Due October 1</u>	<u>Sinking Fund Requirement</u>
2025	\$ 835,000
2026	885,000
2027	935,000
2028	980,000
2029	9,265,000

3. **Lutheran Retirement Ministries of Alamance County, Burlington** – Christopher B. Taylor

Executive Committee Action: Motion was made by Mr. Joe Crocker, seconded by Mr. Gerald Cox and unanimously approved.

Resolution: The Commission grants preliminary approval to a project for Lutheran Retirement Ministries to provide funds, to be used together with other available funds to refund the North Carolina Medical Care Commission Variable Rate Demand Revenue Bonds Series 2007. The refunding is to be accomplished through the issuance of a Bank Qualified Bond with BB&T. The project will consist of a 2009 and 2010 series of bonds. The project is in accordance with an application as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	<u>\$35,355,000</u>
Total	\$35,355,000

ESTIMATED USES OF FUNDS

Escrow to refund Series 2007 Bonds	\$35,165,000
Bank Qualified Bank Fee	53,025
Placement Fee	30,000
Accountants fees	10,000
Corporation counsel	20,000
Bond counsel	40,000
Bank counsel	30,000
Local Government Commission reimbursables	3,500
Miscellaneous	<u>3,475</u>
Total	\$35,355,000

Tentative approval is given with the understanding that the governing board of Lutheran Retirement Ministries of Alamance County 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 of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance 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 of bonds for 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 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. 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.
8. The borrower will comply with the Commission’s Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC’s as adopted on November 9, 2007.

Based on information furnished by applicant, the project is -

- | | | | | | | |
|--|-------------------------------------|-----|--------------------------|----|-------------------------------------|-----|
| 1. Financially feasible | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |
| 2. Construction and related costs are reasonable | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> | N/A |

Detailed Application for Property Tax Exemption Under G.S. 105-278.6A

Instructions (Return to County Tax Office No Later Than January 31, 2009)

A facility may be granted a total exclusion under Section 1, G.S. 105-278.6A, (c), provided that conditions (1) through (5) are met AND condition (6) a. OR (6) b. is met.

If the facility qualifies under (6) a. AND meets conditions (1) through (5), check this box to obtain a total exemption. Only complete identifying information and signature. Do not complete the rest of the form. (Provide relevant documentation.)

If the facility qualifies under (6) b. AND meets conditions (1) through (5), complete the rest of the form below.

Provide all relevant attachments as noted under each category.

REVENUE

Total Resident Revenue - As Disclosed in Most Recent Audited Financial Statement

(Includes all monthly service fees, fee for service charges, **amortized entry fee income for the year**, and any fees collected that would not otherwise be amortized into income for the year associated with living in the facility. **Excludes investment income, contributions and income from non-resident sources.**) Attach Relevant Sections of Most Recent Audited Financial Statements

(1) 19,086,695

CHARITY CARE

(A) Unreimbursed Health Care

(From Medicare/Medicaid or Third Party cost reports, internal resident assistance data **certified by the facility** or audited financial statements which show amount of unreimbursed costs) Attach Applicable Pages of Cost Reports

626,523

(B) Unreimbursed Housing and Services

(From internal assistance reports (Lyons software or spreadsheet) certified by the facility and/or audited statements which show amount of unreimbursed costs and/or as disclosed in most recent audited financial statement)

(1) 294,242

Total Charity Care

(2) 920,765

COMMUNITY BENEFITS

(Amounts claimed are to be taken from audited financial statements which either footnote the amount or disclose the amount in the statement of operations as a line item and/or can be taken from documented receipt letters from entities receiving the service, donation or volunteer service, and/or as documented in the Lyons Software or similar spreadsheet program certified by the facility. The amounts are limited to actual expenses incurred by the facility to perform the service or provide the donation.)

(A) Services

(Verifiable unreimbursed expenses incurred by the facility to provide health, recreation, community research, and education activities to the community at large, including the elderly - DOES NOT include resident volunteer time.)

36,781

(B) Charitable Donations

(Actual cash outlay or equivalent dollar amount of donated items originally acquired by the facility and documented in facility community benefit report (Lyons software or spreadsheet) and/or noted in audited financial statements.)

133,806

Detailed Application for Property Tax Exemption Under G.S.105-278.6A

(C) Donated Volunteer Services

(Cost to the facility for allowing employees to volunteer in community service projects or organizations and/or actual unreimbursed facility material, space and volunteer time as documented based on wages paid by the facility for the volunteer during the service period/project).

_____ 48,843

(D) Donations and Voluntary Payments to Government Agencies

(Amounts to be taken from Receipted donations/payments from government agency receiving donation/payment when the facility would otherwise not have to pay the agency-goodwill.)

Total Community Benefits

(3) _____ 219,430

Total Community Benefits and Charity Care (2) + (3)

(4) _____ 1,140,195

Percentage of Resident Revenue

Total Community Benefits and Charity Care Divided by

(4) _____ 1,140,195

Total Resident Revenue

(1) _____ 19,086,695

Percentage of Resident Revenue (4) divided by (1)

_____ 5.97 %

Exclusion Percentage Based on Percent of Resident Revenue Above

%	%
5%	100%
4%	80%
3%	60%
2%	40%
1%	20%

Exclusion % 100

Facility Name: Lutheran Retirement Ministries of Alamance County, NC County: Alamance

Facility Address 100 Wade Coble Drive, Burlington, NC 27215

By Signing Below We Hereby Certify the Information Stated Above is Correct and True as Supported by Our Financial and Facility Records:

_____ Date 1-31-09
 Officer's Signature

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
 FORECASTED DEBT SERVICE COVERAGE RATIO
 SEPTEMBER 30, 2010 THROUGH SEPTEMBER 30, 2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
CASH FLOW / FIXED CHARGES	2.37	2.51	2.77	3.15	3.61
MINIMUM REQUIRED RATIO - LETTER OF CREDIT	1.20	1.20	1.20	1.20	1.20
MINIMUM REQUIRED RATIO - MED. CARE COMM.	1.10	1.10	1.10	1.10	1.10

CASH FLOW:

OPERATING INCOME	1,387,300	1,132,300	1,365,000	1,758,600	2,186,700
ADD:					
INTEREST EXPENSE	1,667,700	1,668,900	1,580,100	1,487,800	1,391,800
DEPRECIATION	3,739,800	3,787,000	3,942,700	4,082,200	4,298,300
AMORTIZATION	60,000	58,000	56,000	54,000	52,000
ADMISSION FEES RECEIVED	5,100,000	6,134,000	6,850,000	7,920,000	9,120,000
ADMISSION FEES EARNED	(3,470,500)	(3,567,400)	(3,701,200)	(3,853,800)	(4,042,500)
ADMISSION FEES REFUNDED	(500,000)	(600,000)	(700,000)	(800,000)	(900,000)
UNREALIZED GAINS AND LOSSES	(3,900)	(4,100)	(4,200)	(4,300)	(4,400)
TOTAL	7,980,400	8,608,700	9,388,400	10,644,500	12,101,900

FIXED CHARGES:

INTEREST PAID	1,667,700	1,668,900	1,580,100	1,487,800	1,391,800
PRINCIPAL	1,695,000	1,760,000	1,815,000	1,890,000	1,965,000
TOTAL	3,362,700	3,428,900	3,395,100	3,377,800	3,356,800

4. **Adjournment**

There being no further business, the meeting was adjourned at 11:21 a.m.

Respectfully submitted,

Christopher B. Taylor
Assistant Secretary

