

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
JANUARY 14, 2010
2:00 P.M.**

Members of the Executive Committee Present:

Lucy Hancock Bode, Chairman
Joseph D. Crocker, Vice-Chairman
George H.V. Cecil
Gerald P. Cox
Charles T. Frock
Mary L. Piepenbring
Dr. Robert Schaaf

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:

Bradley A. Clark, Wake Forest University Baptist Medical Center
Daniel Davis, Director, Debt & Capital Management, Catholic Health East
Pete DeAngelis, CFO, Catholic Health East
Kevin Dougherty, McGuire Woods, LLP
Kevin Downes, McGuire Woods, LLP
Jeff Poley, Parker Poe Adams & Bernstein
Allen K. Robertson, Robinson Bradshaw & Hinson, P.A.

1. **Purpose of Meeting**

To consider for approval refunding bond issues for North Carolina Baptist Hospital, Catholic Health East/St. Joseph of the Pines. To consider an amendment of a Trust Agreement for the North Carolina Baptist Hospital Series 1992B Bonds, Series 1996 Bonds, Series 2000 Bonds, and Series 2009 Bonds. To consider a resolution to approve the appointment of Successor Remarketing Agents and First Supplemental Trust Agreements for the Duke University Health System, Series 2005. To consider the sale of bonds, the proceeds of which are to be loaned to Penick Village.

2. **North Carolina Baptist Hospital, Winston-Salem- Christopher B. Taylor, Bradley Clark, Kevin Dougherty, & Kevin Downes**

Executive Committee Action: A motion was made by Mr. Joe Crocker, seconded by Mr. Charles Frock and unanimously approved with Mrs. Lucy Bode abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for North Carolina Baptist Hospital to provide funds, to be used together with other available funds, to refund some or all of the outstanding balance of the Series 1992B, Series 1996, Series 2000 and Series 2009 Bonds issued by the North Carolina Medical Care Commission for North Carolina Baptist Hospital. The Series 1992B, Series 1996, Series 2000 and Series 2009 Bonds are currently outstanding in one of more variable rate modes and are to be refunded by a fixed rate bond issue to secure committed capital and reduce the risk associated with variable rate debt. In connection with the issuance of the Series 2010 Bonds, North Carolina Baptist Hospital will amend its Master Trust Indenture to revise and update certain accounting provisions, to permit the issuance of Obligations to secure derivative agreements, and to facilitate future corporate expansion and integration. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of Bonds	\$368,236,000
Less original issue discount	<u>(10,636,000)</u>
Total Sources	\$357,600,000

ESTIMATED USES OF FUNDS

Escrow to refund Series 1992B, Series 1996, Series 2000 & Series 2009 Bonds	\$333,962,000
Swaps termination payment(s)	20,000,000
Underwriter's discount (\$8.33 per \$1,000 bonds) (Including counsel fees of \$100,000)	3,067,000
Accountants fee	70,000
Corporation counsel fee	50,000
Bond counsel fee	175,000
Rating agency fee	164,000
Trustee fee	25,000
Printing	10,000
Local Government Commission fee	3,500
Financial advisor	68,000
Miscellaneous	<u>5,500</u>

Total

\$357,600,000

Tentative approval is given with the understanding that the governing board of North Carolina Baptist Hospital 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. 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. 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 | <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 |

Notes: Long Term Debt Service Coverage Ratios

Actual: 2009-1.83x

Projected: 2010-4.27x, 2011-4.44x, 2012-4.73x

Community Benefits FY 2008 per ANDI Form

Community Benefits- \$69,674,240

Bad Debts- \$34,640,678

3. RESOLUTION RELATING TO THE AMENDMENT OF THE TRUST AGREEMENTS FOR THE NORTH CAROLINA BAPTIST HOSPITAL SERIES 1992B BONDS, SERIES 1996 BONDS AND SERIES 2000 BONDS- Remarks were made by Kevin Dougherty

Executive Committee Action: A motion was made by Mr. Joe Crocker, seconded by Mr. Gerald Cox and unanimously approved with Mrs. Lucy Bode abstaining from the vote.

WHEREAS, North Carolina Baptist Hospital (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; and

WHEREAS, the Commission has heretofore issued its Hospital Revenue Bonds (North Carolina Baptist Hospitals Project), Series 1992B (the "Series 1992B Bonds"), pursuant to that certain Trust Agreement, dated as of October 1, 1992 (the "Series 1992B Trust Agreement"), between the Commission and U.S. Bank, National Association, successor to First-Citizens Bank & Trust Company, as bond trustee (the "Trustee"); and

WHEREAS, the Commission has heretofore issued its Hospital Revenue Bonds (North Carolina Baptist Hospitals Project), Series 1996 (the "Series 1996 Bonds"), pursuant to that certain Trust Agreement, dated as of June 1, 1996 (the "Series 1996 Trust Agreement"), between the Commission and the Trustee; and

WHEREAS, the Commission has heretofore issued its Hospital Revenue Bonds (North Carolina Baptist Hospitals Project), Series 2000 (the "Series 2000 Bonds"), pursuant to that certain Trust Agreement, dated as of June 1, 2000 (the "Series 2000 Trust Agreement" and together with the Series 1992B Trust Agreement and the Series 1996 Trust Agreement, the "Trust Agreements"), between the Commission and the Trustee; and

WHEREAS, the Commission has heretofore loaned to the Corporation the proceeds of the Series 1992B Bonds pursuant to a Loan Agreement, dated as of October 1, 1992 (the "Series 1992B Loan Agreement"), between the Commission and the Corporation; and

WHEREAS, the Commission has heretofore loaned to the Corporation the proceeds of the Series 1996 Bonds pursuant to a Loan Agreement, dated as of June 1, 1996 (the "Series 1996 Loan Agreement"), between the Commission and the Corporation; and

WHEREAS, the Commission has heretofore loaned to the Corporation the proceeds of the Series 2000 Bonds pursuant to a Loan Agreement, dated as of June 1, 2000 (the "Series 2000 Loan Agreement" and together with the Series 1992B Loan Agreement and the Series 1996 Loan Agreement, the "Loan Agreements"), between the Commission and the Corporation; and

WHEREAS, the Corporation has elected to call the Series 1992B Bonds, the Series 1996 Bonds and the Series 2000 Bonds for redemption on or about March 1, 2010, and has requested that the Commission amend each of the Trust Agreements to allow that the redemption be conditioned upon the availability on the redemption date of funds to pay the redemption price;

WHEREAS, each of the Trust Agreements provides that it can be amended without the consent of the Holders of the related Series of Bonds provided that the Holders have at least one opportunity to tender their Bonds for purchase after notice of such amendment is given and before the effective date of the amendment; and

WHEREAS, there have been presented to the Commission at this meeting a draft of the form of the Supplemental Trust Agreement Amending the Trust Agreement, to be dated on or after February 15, 2010 (the "Supplemental Trust Agreement"), between the Commission and the Trustee that will be used to amend each of the Trust Agreements; and

WHEREAS, the Commission has determined that the public will best be served by the amendment of the Trust Agreements;

NOW, THEREFORE, BE IT RESOLVED by the Commission:

Section 1. The form, terms and provisions of the Supplemental Trust Agreement are hereby approved in all respects, and the Chairman, 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 Supplemental Trust Agreements for the Series 1992B Bonds, the Series 1996 Bonds and the Series 2000 Bonds, 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 and appropriate; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 2. The Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman of the Commission for such purpose, 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, including without limitation, amendments to the Loan Agreements, as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by each Supplemental Trust Agreement.

Section 3. This Resolution shall take effect immediately upon its passage.

4.

SUPPLEMENTAL TRUST AGREEMENT AMENDING
THE TRUST AGREEMENT

by and between

NORTH CAROLINA MEDICAL CARE COMMISSION

and

U.S. BANK, NATIONAL ASSOCIATION,
as Bond Trustee

Dated as of February 15, 2010

North Carolina Medical Care Commission
Hospital Revenue [Refunding] Bonds
(North Carolina Baptist Hospitals Project),
Series _____

THIS SUPPLEMENTAL TRUST AGREEMENT, made and entered into as of the 15th day of February, 2010 (this "Supplemental Trust Agreement"), by and between the North Carolina Medical Care Commission (the "Commission") and U.S. Bank, National Association, successor to First-Citizens Bank & Trust Company, as bond trustee (the "Bond Trustee") under the Trust Agreement, dated as of _____ 1, ____ (the "Trust Agreement"), between the Commission and the Bond Trustee.

WITNESSETH:

WHEREAS, North Carolina Baptist Hospital (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; and

WHEREAS, the Commission has heretofore issued its Hospital Revenue [Refunding] Bonds (North Carolina Baptist Hospitals Project), Series _____ (the "Bonds"), pursuant to the Trust Agreement; and

WHEREAS, the Commission has heretofore loaned to the Corporation the proceeds of the Bonds pursuant to a Loan Agreement, dated as of _____ 1, ____, between the Commission and the Corporation; and

WHEREAS, the Corporation has elected to call the Bonds for redemption on or about March 1, 2010, and has requested that the Commission amend the Trust Agreement to allow that the redemption be conditioned upon the availability on the redemption date of funds to pay the redemption price;

WHEREAS, the Trust Agreement provides that it can be amended without the consent of the Holders of the Bonds provided that the Holders have at least one opportunity to tender their Bonds for purchase after notice of such amendment is given and before the effective date of the amendment, and the Corporation has requested that the Commission so amend the Trust Agreement;

NOW, THEREFORE, in consideration of the premises, the Commission covenants and agrees with the Bond Trustee as follows:

Section 4. Definitions. All capitalized terms used but not otherwise defined herein shall have the meanings given them in the Trust Agreement.

Section 5. Amendment. (a) Section _____ [Notice of Redemption] of the Trust Agreement is hereby amended to read as follows:

“Not less than thirty (30) days (fifteen (15) days if the Interest Rate Mode for the Bonds is the Auction Period Rate) but not more than sixty (60) days before the redemption date of any Bonds, whether such redemption be in whole or in part, the Bond Trustee shall cause a notice of any such redemption signed by the Bond Trustee to be given by first class mail, postage prepaid, to all Holders owning Bonds to be redeemed in whole or in part. Failure to mail any such notice to any Holder or any defect in any notice so mailed shall not affect the validity of the proceedings for the redemption of the Bonds of any other Holders to whom such notice was properly given. Each such notice shall set forth the CUSIP numbers of the Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, and, if less than all of the Bonds then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed, the address of the Bond Trustee, the date of the redemption notice and that on the redemption date the Bonds called for redemption will be payable at the Designated Office for the Delivery of Bonds set forth in such notice, and that from that date interest will cease to accrue and be payable. If any Bond is to be redeemed in part only, the notice of redemption shall state also that on or after the redemption date, upon surrender of such Bond, a new Bond in principal amount equal to the unredeemed portion of such Bond will be issued.

“Any notice of redemption (other than a mandatory sinking fund redemption) may state that the redemption to be effected is conditioned upon the receipt by the Bond Trustee on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Bonds are not received by the Bond Trustee on or prior to the redemption date, the redemption shall not be made and the Bond Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.”

(b) Section _____ [Revocation of Redemption Notice] of the Trust Agreement is hereby deleted.

Section 6. Ratification of Trust Agreement. As supplemented and amended hereby, the Trust Agreement is in all respects ratified and confirmed.

Section 7. Severability. If any provision of this Supplemental Trust Agreement shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases, because it conflicts with any other provision or provisions hereof or any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses, sections or subsections contained in this Supplemental Trust Agreement shall not affect the remaining portions of this Supplemental Trust Agreement or any part thereto.

Section 8. Counterparts. This Supplemental Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 9. Governing Law. This Supplemental Trust Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the Commission has caused these presents to be signed in its name and on its behalf by its Chairman and the Bond Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

NORTH CAROLINA MEDICAL CARE COMMISSION

By _____
Chairman

U.S. BANK, NATIONAL ASSOCIATION,
as Bond Trustee

By _____
Vice President

5. **Catholic Health East/St. Joseph of the Pines, Newton Square, PA and Southern Pines, NC** - Christopher B. Taylor , Pete DeAngelis, & Daniel Davis

Executive Committee Action: A motion was made by Mr. George Cecil, seconded by Mr. Joe Crocker and unanimously approved.

Resolution: The Commission grants preliminary approval to a project for Catholic Health East (CHE)/St. Joseph of the Pines, Inc. to provide funds, to be used together with other available funds, to effect a current refunding of all or a portion of the \$33,315,000 outstanding North Carolina Medical Care Commission Health System Revenue Bonds Catholic Health East Issue Series 1998C. The Series 2010 Bond issue will refund the variable rate Series 1998C Bonds with a fixed rate bond issue. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal Amount of Bonds	<u>\$38,010,000</u>
Total Sources	\$38,010,000

ESTIMATED USES OF FUNDS

Escrow to refund Series 1998C Bonds	33,481,575
Debt service reserve fund	3,801,000
Underwriters discount	380,100
Corporation counsel	75,000
Bond counsel	75,000
Rating agencies	50,000
Trustee Fee	15,000
Printing	5,000
Local Government Commission	3,500
Financial Advisor	50,000
Accountant fee/auditor fee	50,000
DAC disclosure	2,500
Miscellaneous	<u>21,325</u>
Total	\$38,010,000

Tentative approval is given with the understanding that the governing board of Catholic Health East/St. Joseph of the Pines 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. (a copy of which is attached hereto)

Based on information furnished by applicant, the project is:

1.	Financially feasible	<u>✓</u>	Yes	_____	No	_____	N/A
2.	Construction and related costs are reasonable		Yes		No	<u>✓</u>	N/A

Notes: Community Benefits percentage for St. Joseph of the Pines FYE 2008 6.282%
Property tax exclusion under GS-105 100%

Catholic Health East Long Term Debt Service Coverage Ratio Audit FYE 2008		
Actual	FYE 2008	1.58x
Forecasted	FYE2009	2.85x
	2010	3.40x
	2011	3.22x
	2012	2.87x

6. **Resolution of the North Carolina Medical Care Commission Approving the Appointment of Successor Remarketing Agents and First Supplemental Trust Agreements for the North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (Duke University Health System) Series 2005, consisting of Series 2005A, Series 2005B and Series 2005C**-Remarks were made by Allen Robertson

Executive Committee Action: A motion was made by Mr. Gerald Cox, seconded by Mr. George Cecil and unanimously approved with Dr. Robert Schaaf 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 \$322,140,000 aggregate principal amount of its Health Care Facilities Revenue Refunding Bonds (Duke University Health System) Series 2005, consisting of \$107,380,000 aggregate principal amount of Series 2005A (the "2005A Bonds"), \$107,380,000 aggregate principal amount of Series 2005B (the "2005B Bonds") and \$107,380,000 aggregate principal amount of Series 2005C (the "2005C Bonds," and, collectively with the 2005A Bonds and the 2005B Bonds, the "Bonds"), all of which are outstanding, pursuant to the terms of an Amended and Restated Trust Agreement for each series of the Bonds, each dated as of August 21, 2009 (each, a "Trust Agreement" and collectively the "Trust Agreements"), between the Commission and The Bank of New York Mellon Trust Company, N.A.; and

WHEREAS, the Commission has loaned the proceeds from the sale of the Bonds to Duke University Health System, Inc. (the "Corporation") pursuant to the Loan Agreement for each series of the Bonds, each dated as of May 1, 2005, between the Commission and the Corporation, each as amended by a First Amendment dated as of August 21, 2009 (each, as amended, a "Loan Agreement" and collectively the "Loan Agreements"), between the Commission and the Corporation;

WHEREAS, the Bonds are bearing interest at the Weekly Interest Rate (as defined in the Trust Agreements); and

WHEREAS, the Bonds are subject to optional and mandatory tender for purchase while they are bear interest at the Weekly Interest Rate; and

WHEREAS, Citigroup Global Markets Inc. currently serves as Remarketing Agent for the Bonds; and

WHEREAS, the Corporation has requested the Commission approve the appointment of the following firms as successor Remarketing Agents for the Bonds: 2005A Bonds, Merrill Lynch, Pierce, Fenner & Smith Incorporated; 2005B Bonds, Wachovia Bank, National Association; and 2005C Bonds, SunTrust Robinson Humphrey Inc.; and

WHEREAS, the Corporation also has requested that the Commission enter into a First Supplemental Trust Agreement with respect to each Trust Agreement (collectively, the "First Supplemental Trust Agreements) to amend Section 314(a) of each Trust Agreement to permit banks or trust companies, in addition to broker-dealers, to serve as Remarketing Agents for the Bonds;

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

Section 1. The appointment of Merrill Lynch, Pierce, Fenner & Smith Incorporated as Remarketing Agent for the 2005A Bonds, Wachovia Bank, National Association as Remarketing Agent for the 2005B Bonds, and SunTrust Robinson Humphrey Inc. as Remarketing Agent for the 2005C Bonds is hereby approved. The Chairman, Vice Chairman, the Secretary and the Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are hereby authorized and

directed to take such action and to execute and deliver any and all documents, certificates, undertakings, agreements or other instruments as they, with the advice of bond counsel, may deem necessary or appropriate to effect the appointment of Merrill Lynch, Pierce, Fenner & Smith Incorporated as Remarketing Agent for the 2005A Bonds, Wachovia Bank, National Association as Remarketing Agent for the 2005B Bonds, and SunTrust Robinson Humphrey Inc. as Remarketing Agent for the 2005C Bonds.

Section 2. The Chairman, Vice Chairman, the Secretary and the Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are hereby authorized and directed to execute and deliver the First Supplemental Trust Agreements.

Section 3. This Resolution shall take effect immediately upon its passage.

7. Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$30,000,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Penick Village), Series 2010A and Series 2010B- Remarks were made by Jeff Poley.

Executive Committee Action: A motion was made by Mr. Charles Frock, seconded by Mr. Gerald Cox 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 (including retirement facilities) and to refund bonds previously issued by the Commission; and

WHEREAS, The Episcopal Home for the Ageing in the Diocese of North Carolina, Inc., doing business as "Penick Village" (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 (a) pay the costs of the Project (as defined in the hereinafter mentioned Loan Agreements); (b) pay all or a portion of the interest accruing on the Bonds during construction of the Project and (c) pay certain fees and expenses incurred in connection with the issuance and sale of the Bonds (as defined below) by the Commission; and

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on August 14, 2009, 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 Loan Agreement dated as of January 1, 2010 between the Commission and the Corporation, pursuant to which the Commission will lend the proceeds of the 2010A Bonds (as defined below) to the Corporation;

- (b) a Loan Agreement dated as of January 1, 2010 between the Commission and the Corporation, pursuant to which the Commission will lend the proceeds of the 2010B Bonds (as defined below) to the Corporation;
- (c) a Trust Agreement dated as of January 1, 2010 between the Commission and U.S. Bank National Association (the “Bond Trustee”), pursuant to which the 2010A Bonds will be issued;
- (d) a Trust Agreement dated as of January 1, 2010 between the Commission and the Bond Trustee, pursuant to which the 2010B Bonds will be issued;
- (e) a Bond Purchase Agreement, to be dated on or about January 20, 2010 (the “2010A Purchase Agreement”), between the Local Government Commission of North Carolina (the “LGC”) and Branch Banking and Trust Company (the “Bank Purchaser”) and approved by the Corporation and the Commission, pursuant to which the Bank Purchaser will offer to purchase the 2010A Bonds;
- (f) a Bond Purchase Agreement, to be dated on or about January 20, 2010 (the “2010B Purchase Agreement”) and, together with the 2010A Purchase Agreement, the “Purchase Agreements”), between the LGC and the Bank Purchaser and approved by the Corporation and the Commission, pursuant to which the Bank Purchaser will offer to purchase the 2010B Bonds
- (g) a Master Trust Indenture dated as of February 1, 2004 (the “Master Indenture”) between the Corporation and First-Citizens Bank & Trust Company, as succeeded by U.S. Bank National Association, as master trustee (the “Master Trustee”);
- (h) a Supplemental Indenture for Obligation No. 3 dated as of January 1, 2010 (“Supplement No. 3”) between the Corporation and the Master Trustee;
- (i) Obligation No. 3 dated as of the date of delivery thereof (“Obligation No. 3”) from the Corporation to the Commission in connection with the 2010A Bonds;
- (j) a Supplemental Indenture for Obligation No. 4 dated as of January 1, 2010 (“Supplement No. 4”) between the Corporation and the Master Trustee;
- (k) Obligation No. 4 dated as of the date of delivery thereof (“Obligation No. 4”) from the Corporation to the Bank Purchaser in connection with the 2010A Bonds;
- (l) a Supplemental Indenture for Obligation No. 6 dated as of January 1, 2010 (“Supplement No. 6”) between the Corporation and the Master Trustee;
- (m) Obligation No. 6 dated as of the date of delivery thereof (“Obligation No. 6”) from the Corporation to the Commission in connection with the 2010B Bonds;
- (n) a Supplemental Indenture for Obligation No. 7 dated as of January 1, 2010 (“Supplement No. 7” collectively with Supplement No. 3, Supplement No. 4 and Supplement No. 6, the “Supplemental Indentures”) between the Corporation and the Master Trustee;
- (o) Obligation No. 7 dated as of the date of delivery thereof (“Obligation No. 7” and, collectively with Obligation No. 3, Obligation No. 4 and Obligation No. 6, the “Obligations”) from the Corporation to the Bank Purchaser in connection with the 2010B Bonds;

- (p) a Supplemental Indenture for Obligation No. 2 dated as of January 1, 2010 (“Supplement No. 2”) between the Corporation and the Master Trustee;
- (q) an Entrance Fee Escrow Agreement dated as of January 1, 2010 (the “Entrance Fee Agreement”) among the Corporation, the Commission, the Bank Purchaser and the Bond Trustee;
- (r) a Substitution of Trustee dated as of January 1, 2010 by the Master Trustee appointing Patrick L. Teague as substitute deed of trust trustee (the “*Deed of Trust Trustee*”) under the Deed of Trust dated as of February 1, 2004 (the “*Original Deed of Trust*”) from the Corporation to the Deed of Trust Trustee for the benefit of the Master Trustee; and
- (s) a First Amendment to Deed of Trust to be dated the date of delivery thereof (the “First Amendment”) amending the Corporation Deed of Trust (as defined in the Master Indenture);

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Entrance Fee Agreement, the Loan Agreements, the Master Indenture, the Supplemental Indentures, the Obligations, and the Deed of Trust; 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 Agreements and the Loan Agreements.

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 First Mortgage Revenue Bonds (Penick Village), Series 2010A (the “2010A Bonds”) and North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Penick Village), Series 2010B (the “2010B Bonds” and, together with the 2010A Bonds, the “Bonds”), in a total aggregate principal amount not to exceed \$30,000,000. The Bonds shall mature no later than January 31, 2038 and shall bear interest at such rates determined in accordance with the Trust Agreements and shall be subject to the Sinking Fund Requirements set forth in the Trust Agreements.

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 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 Agreements.

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 Agreements.

Section 4. The proceeds of the Bonds shall be applied as provided in Section 2.10 of the Trust Agreements. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to pay the costs of the Project, interest accruing on the Bonds during construction of the Project and the costs of issuing the Bonds will accomplish the public purposes set forth in the Act.

Section 5. The forms, terms and provisions of the Entrance Fee Agreement, the Trust Agreements and the Loan Agreements 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 Entrance Fee Agreement, the Trust Agreements and the Loan Agreements 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 Agreements 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 Agreements 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 Agreements 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 Agreements, 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 and the First Amendment 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 Agreements 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 amendments to the Master Indenture set forth in Supplement No. 2 are hereby authorized, approved and consented to.

Section 10. The Commission hereby approves the action of the Local Government Commission authorizing the private sale of the Bonds to the Bank in accordance with the Purchase Agreements at the purchase price of 100% of the principal amount thereof.

Section 11. Upon their execution in the form and manner set forth in the Trust Agreements, the Bonds shall be deposited with the Bond Trustees for authentication, and the Bond Trustees 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 Agreements, the Bond Trustee shall deliver the Bonds to the Bank against payment therefor.

Section 12. U.S. Bank National Bank is hereby appointed as the initial Bond Trustees for the Bonds.

Section 13. 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 14. Lucy H. Bode, Chairman of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, Kathy C. Larrison, Auditor to the Commission, and William L. Warren, Chief of the Construction Section of the Division of Health Service Regulation, are each hereby appointed a Commission Representative as that term is defined in the Loan Agreements, 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 Agreements and the Loan Agreements.

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

Section 17. 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 18. Attached as an exhibit to this Series Resolution is the comparison of estimated issuance costs and required by the Commission.

Section 19. This Series Resolution shall take effect immediately upon its passage.

Notes: The Bonds should bear interest at the rate of 68% LIBOR plus 1.95%.

PROFESSIONAL	PRELIMINARY APPROVAL	ACTUAL
Underwriter's Discount/Placement Fee	\$1,017,900	\$324,250
Feasibility Fees	175,000	75,000
Accountants Fees	20,000	-
Legal Fees for Corporate Counsel	50,000	15,000
Bond Counsel	85,000	65,000
Rating Agencies	15,000	-
Trustee Fees	10,000	3,500
Printing Costs	5,000	-
Local Government Commission Reimbursables	5,000	3,500
Misc	43,024	1,409
Bank Counsel		45,000
Special Counsel		10,000
Bank Commitment Fee		162,125
Title Insurance		16,591
Total Fees	\$1,425,924	\$721,375

Note: Preliminary approval assumed fixed rate bond issue

8. Adjournment

There being no further business, the meeting was adjourned at 2:45 p.m.

Respectfully submitted,

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