

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

August 20, 2010  
2:00 P.M.

**Members of the Commission Present:**

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

**Members of the Commission Absent:**

George H. V. Cecil  
Mary L. Piepenbring

**Members of Staff Present:**

Drexdal Pratt, DHSR Director/NCMCC Secretary  
Christopher B. Taylor, CPA, Assistant Secretary

**Others Present:**

Phil DeVecchio, Bank of America Merrill Lynch  
Jon Mize, Womble Carlyle Sandridge & Rice, PLLC  
Allen K. Robertson, Robinson Bradshaw & Hinson, PA

1. **Purpose of Meeting**

To consider a resolution authorizing the conversion of the interest rate mode on bonds previously issued by the North Carolina Medical Care Commission, the proceeds of which were loaned to CaroMont Health, Inc., Gaston Memorial Hospital, Incorporated and CaroMont Health Services, Inc. and a resolution which grants preliminary approval to a project for the Presbyterian Home at Charlotte, Inc. d/b/a Sharon Towers to effect a conversion of the Commission's Variable Rate Demand Health Care Facilities Revenue Bonds (The Presbyterian Home at Charlotte, Inc. Project) Series 2001 from a Wells Fargo letter of credit backed bond issue to a Bank Qualified Bond mode with BB&T with a seven year put period.

2. **Resolution Authorizing the Conversion of the Interest Rate Mode on the \$118,400,000 North Carolina Medical Care Commission Hospital Revenue Bonds (CaroMont Health), Series 2008 (the "Bonds") from the Weekly Mode to the Fixed Mode** - Remarks were made by Christopher B. Taylor, Phil DeVecchio, and Jon Mize.

**Executive Committee Action:** A motion was made by Mr. Charles Frock, seconded by Dr. Robert Schaaf, and unanimously approved with Lucy Bode and Gerald Cox abstaining from the vote due to ownership of stock in Bank of America Merrill Lynch.

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;

WHEREAS, CaroMont Health, Inc., Gaston Memorial Hospital, Incorporated and CaroMont Health Services, Inc. (collectively, the "Corporations") are each a North Carolina nonprofit corporation and a "nonprofit agency" within the meaning and intent of the Act, which operate, by themselves and through their controlled affiliates, certain health care facilities;

WHEREAS, pursuant to a Trust Agreement, dated as of January 1, 2008 (the "Trust Agreement"), between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"), the Commission has previously issued the Bonds and loaned the proceeds thereof to the Corporations pursuant to a Loan Agreement, dated as of January 1, 2008 (the "Loan Agreement"), between the Commission and the Corporations;

WHEREAS, the Bonds are currently outstanding under the Trust Agreement and bear interest at the Weekly Rate (as defined in the Trust Agreement);

WHEREAS, the Parent and the Corporations, on behalf of the Commission, have directed that the interest rate on the Bonds be converted from the Weekly Mode to the Fixed Mode (as such terms are defined in the Trust Agreement);

WHEREAS, Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and on behalf of BB&T Capitals Markets, a division of Scott & Stringfellow, LLC, as underwriters

for the Bonds upon conversion (the “Underwriters”), have agreed to purchase the Bonds upon conversion of the Bonds to the Fixed Mode, pursuant to a Bond Purchase Agreement, to be dated the date of delivery thereof (the “Bond Purchase Agreement”), between the North Carolina Local Government Commission (the “LGC”) and the representative of the Underwriters, and approved by the Commission, the Corporations and CaroMont Ambulatory Services, LLC;

WHEREAS, there have been presented at this meeting draft copies of the following documents relating to the conversion of the interest rate determination method on the Bonds:

(1) Bond Purchase Agreement;

(2) Preliminary Remarketing Supplement, dated the date of delivery thereof (the “Preliminary Remarketing Supplement”), relating to the conversion of the Bonds to the Fixed Mode;

(3) First Amendment to Loan Agreement, to be dated as of September 1, 2010 (the “First Amendment”), between the Commission and the Corporations, amending the Loan Agreement to make certain technical corrections relating to the continuing disclosure obligations of the Corporations; and

(4) form of the Bonds to be executed and delivered upon conversion to the Fixed Mode;

WHEREAS, the Commission has determined that the Corporations are financially responsible and capable of fulfilling their obligations under each of the documents described above to which the Corporations are a party; and

WHEREAS, the Commission has determined that the public interest will be served by the proposed conversion of the interest rate mode on the Bonds to the Fixed Mode;

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

Section 1. Capitalized terms used in this resolution and not otherwise defined shall have the meanings given such terms in the Trust Agreement.

Section 2. The Commission hereby authorizes the conversion of the interest rate mode on the Bonds from the Weekly Mode to the Fixed Mode, subject to all of the conditions set forth in the Trust Agreement authorizing such conversion. Upon conversion, the Bonds shall 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.

Upon conversion to the Fixed Mode, the Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any whole multiple thereof, and interest on the Bonds shall be payable semiannually on each February 15 and August 15, beginning February 15, 2010, until the Bonds are fully paid. Upon conversion to the Fixed Mode, the Bonds shall be subject to optional and mandatory sinking fund redemption at the times, upon the terms and conditions and at the prices set forth in Exhibit A attached hereto and made a part hereof.

Section 3. The forms, terms and provisions of the Bond Purchase 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 is hereby authorized and directed to execute and deliver the Bond Purchase Agreement 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 upon conversion to the Fixed Mode; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 4. The forms, terms and provisions of the First Amendment 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 First Amendment 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 such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 5. The forms of the Bonds presented at this meeting 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, 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 6. The Commission hereby approves the action of the LGC in awarding the Bonds to the Underwriters at the price of \$106,773,281.95 (which price represents the aggregate principal amount of the Bonds outstanding, plus a net premium of \$1,046,341.95, less an underwriters' discount of \$733,060.00).

Section 7. The Commission hereby ratifies the use and distribution of the Remarketing Preliminary Remarketing Supplement in connection with the remarketing of the Bonds. The preparation and distribution of a final Remarketing Supplement (the "Remarketing Supplement"), in substantially the form of the Remarketing Supplement, with such changes as are necessary to reflect the final terms of the conversion of the interest rate determination method on the Bonds to the Fixed Mode, 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 Remarketing Supplement 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.

Section 8 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 Trust Agreement, the Bond Purchase Agreement or the Remarketing Supplement.

Section 9. A comparison of the professional fees as set forth in the Commission Resolution granting preliminary approval of this transaction with the actual professional fees incurred in connection with the financing is set forth as Exhibit B hereto.

Section 10. This Resolution shall take effect immediately upon its passage.

#### EXHIBIT A

#### MATURITY SCHEDULE

<u>Due February 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$ 6,250,000	0.58%
2012	6,440,000	1.25
2013	6,635,000	4.00
2014	6,155,000	5.00
2015	6,350,000	3.00
2016	6,550,000	3.50
2017	6,760,000	4.00
2018	6,975,000	3.25
2019	7,200,000	3.50
2020	7,330,000	3.625
2025	8,705,000	4.00
2030	9,710,000	4.50
2035	21,400,000	4.625

#### ADDITIONAL DETAILS OF THE BONDS:

1. Upon conversion to the Fixed Mode, the original Sinking Fund Requirements with respect to the Bonds set forth in the Trust Agreement will no longer be in effect.

2. Upon conversion to the Fixed Mode, the Sinking Fund Requirements (as defined in the Trust Agreement) for the Bonds maturing on February 15, 2025 which are required to be paid to the Holders entitled thereto shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
2021	\$1,635,000
2022	1,690,000
2023	1,735,000
2024	1,795,000
2025*	1,850,000

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\*Maturity

Upon conversion to the Fixed Mode, the Sinking Fund Requirements for the Bonds maturing on February 15, 2030 which are required to be paid to the Holders entitled thereto shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
2026	\$1,915,000
2027	1,970,000
2028	2,035,000
2029	2,100,000
2030*	1,690,000

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\*Maturity

Upon conversion to the Fixed Mode, the Sinking Fund Requirements for the Bonds maturing on February 15, 2035 which are required to be paid to the Holders entitled thereto shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
2031	\$4,050,000
2032	4,150,000
2033	4,265,000
2034	4,395,000
2035*	4,540,000

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\*Maturity

2. Upon conversion to the Fixed Mode, if the Parent and the Corporations exercise their option to prepay the Loan (as defined in the Loan Agreement) pursuant to Section 7.01 of the Loan Agreement, the Bonds maturing on or after February 15, 2021 are required to be redeemed by the Commission, upon the direction of the Group Representative (as defined in the Loan Agreement), in whole or in part (by lot within a maturity) on any date on or after February 15, 2020, upon payment of a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date. The Bonds maturing on or prior to February 15, 2020 shall not be subject to optional redemption prior to their respective maturities.

3. Upon conversion to the Fixed Mode, the redemption provisions set forth in Section 301(f), (g) and (i) of the Trust Agreement shall remain in full force and effect.

EXHIBIT B

**PROFESSIONAL FEES**

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Bond Counsel	\$ 60,000.00 plus expenses	\$62,500.00 (includes expenses)
Underwriters/Remarketing Fee (including counsel)	1,036,525.00	801,060.00
Accountant	58,500.00	58,500.00
Corporation Counsel	98,000.00	90,000.00
Financial Advisor Fee	150,000.00	140,000.00
Trustee Fee	8,000.00	8,000.00

**3. The Presbyterian Home at Charlotte, Inc., d/b/a Sharon Towers, Charlotte – Christopher B. Taylor and Allen Robertson**

**Executive Committee Action:** A motion was made by Mr. Joe Crocker, seconded by Dr. Robert Schaaf and unanimously approved with Mr. Gerald Cox abstaining from the vote due to ownership of BB&T Stock Shares.

**Resolution:** The Commission grants preliminary approval to a project for The Presbyterian Home at Charlotte, Inc. d/b/a Sharon Towers to effect a conversion of the Commission’s Variable Rate Demand Health Care Facilities Revenue Bonds (The Presbyterian Home at Charlotte, Inc. Project) Series 2001 from a Wells Fargo letter of credit backed bond issue to a Bank Qualified Bond mode with BB&T with a seven year put period. The Commission also approves an amendment to the trust agreement for the Series 2001 Bonds to provide for a Bank Qualified Bond mode. The conversion is being done in order to reduce risk associated with letter of credit backed bond issues, for example: renewal (every 1-3 years) and remarketing (interest rates rising due to bank downgrade). The project is in accordance with an application received as follows:

**ESTIMATED SOURCES OF FUNDS**

Principal amount of bonds to be converted	\$11,515,000
Equity contribution	<u>152,899</u>
<b>Total</b>	<b>\$11,667,899</b>

**ESTIMATED USES OF FUNDS**

Conversion of Series 2001 Bonds	11,515,000
Placement fee	25,000
Corporation counsel	30,000
Bond counsel	25,000
Local Government Commission fee	3,500
Bank commitment fee	38,181
Bank counsel	20,000
Appraisal, Phase I, Title Insurance	<u>11,218</u>
<b>Total</b>	<b>\$11,667,899</b>

Tentative approval is given with the understanding that the governing board of The Presbyterian Home at Charlotte, 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 conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the 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 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 conversion 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	✓	Yes	No	N/A
	_____		_____	_____
2. Construction and related costs are reasonable		Yes	No	✓ N/A
	_____		_____	_____

**Footnotes:**

(A) G.S.-105 Percentage for Community Benefits for 5.34% FYE 2009- 100% Property Tax Exclusion.

(B) Information from audit for FYE 12/31/09

Change in Unrestricted Net Assets-Operating Fund \$3,205,672

Change in Unrestricted Net Assets-Operating Fund and Residents Assistance Fund \$3,705,906

Change in Net Assets-Operating Fund \$3,215,789

Change in Net Assets-Operating and Residents Assistance Fund \$3,775,187

Cash Flow from Operation Administrative-Operating Fund \$3,195,932

Change in Cash-Operating Fund \$1,621,829

Change in Cash Operating Fund and Residents Assistance Fund \$1,914,280

(C) Forecasted Long Term Debt Service Coverage Ratios

2010-2.41% x

2011-2.53% x

2012-2.58% x

2013-2.63% x

2014-2.69% x

4. **Adjournment**

There being no further business, the meeting was adjourned at 2:30 P.M.

Respectfully submitted,

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Christopher B. Taylor, CPA  
Assistant Secretary

**Date: August 20, 2010**