

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**

OCTOBER 7, 2010

11:00 A.M.

Members of the Executive Committee Present:

Lucy Hancock Bode, Chairman
Joseph D. Crocker, Vice-Chairman
George H. V. Cecil
Gerald P. Cox
Dr. Robert E. Schaaf

Members of the Executive Committee Absent:

Charles T. Frock
Mary L. Piepenbring

Members of Staff Present:

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

Others Present:

Tommy Brewer, BB&T Capital Markets
Phil DelVecchio, Bank of America Merrill Lynch
Kevin Dougherty, McGuire Woods, LLP
John Franklin, BB&T Capital Markets
Michael Kelly, Ziegler Capital Markets
Jon Mize, Womble Carlyle Sandridge & Rice, PLLC
Allen Robertson, Robinson Bradshaw & Hinson, P.A.
Scott Toth, CFO, Pennybyrn at Maryfield

1. Purpose of Meeting

(1) To authorize the sale of bonds, the proceeds of which are to be loaned to Rex Hospital, Inc., (2) To consider a resolution relating to the amendment of the amended and restated Trust Agreement securing the outstanding North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project, Series 2001), (3) To consider a resolution authorizing the issuance of up to \$30,000,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2010, (4) An email explaining Carol Woods Legal Fees, (5) To consider a resolution that grants preliminary approval to a project for Pennybyrn at Maryfield, Inc. to be used together with other available funds, to refund the Series 2005C Variable Rate Demand Health Care Facilities First Mortgage Revenue Bonds (6) To consider a resolution authorizing the financing of various energy savings equipment and improvements for Ashe Memorial Hospital, Inc. through the North Carolina Medical Care Commission pursuant to a Master Lease and Sublease Agreement and (7) To consider a resolution that grants preliminary approval to a project for Well-Spring Retirement Community to provide funds, to be used together with other available funds, to effect a conversion.

2. Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$122,965,000 North Carolina Medical Care Commission Health Care Facilities Revenue and Revenue Refunding Bonds (Rex Healthcare) Series 2010A (the “Bonds”) - Remarks were made by Phil DeVecchio and Allen Robertson

Executive Committee Action: A motion was made by Mr. Joe Crocker, seconded by Mr. Gerald Cox and unanimously approved with Ms. Lucy Bode and Dr. Robert Schaaf 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, Rex Hospital, 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, together with other available funds, to (1) refund all of the outstanding North Carolina Medical Care Commission Hospital Revenue Bonds (Rex Healthcare) Series 1998, originally issued in the aggregate principal amount of \$124,215,000 and currently outstanding in the aggregate principal amount of \$74,415,000 (the “1998 Bonds”); (2) pay, or reimburse the Corporation for paying, all or a portion of the cost of (a) constructing a new Central Energy Plant on the campus of Rex Hospital and (b) routine capital expenditures,

including renovating portions of Rex Hospital and acquiring medical, computer and other equipment for Rex Hospital (collectively, the “Project”); (3) fund a portion of the interest accruing on the Bonds during the acquisition and construction of the Project; and (4) pay certain expenses incurred in connection with the issuance 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 by the Commission on August 13, 2010, 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 Contract of Purchase, dated October 7, 2010 (the “Purchase Agreement”), between the Local Government Commission of North Carolina and Merrill Lynch, Pierce, Fenner & Smith Incorporated and the other underwriters named therein (collectively, the “Underwriters”), and approved by the Commission, the Corporation and Rex Healthcare, Inc. (the “Parent 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 October 1, 2010 (the “Trust Agreement”), between the Commission and U.S. Bank National Association, as bond trustee (the “Bond Trustee”), the provisions of which relate to the issuance of and security for the Bonds and include the form of the Bonds;

(c) a Loan Agreement, dated as of October 1, 2010 (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 Indenture for Obligation No. 4 dated as of October 1, 2010 (“Supplement No. 4”), between the Corporation and U.S. Bank National Association, as Master Trustee (the “Master Trustee”) under the Master Trust Indenture, dated as of January 1, 1993 (the “Original Master Indenture”), among the Corporation, The New Trustees of the Rex Hospital, Inc., now known as the Parent Corporation, Rex Healthcare Services, Inc., to which the Corporation is the successor by merger, Rex Management Services, Inc., to which the Corporation is the successor by merger, and First-Citizens Bank & Trust Company (the “Original Master Trustee”), to which the Master Trustee is the successor;

(e) Obligation No. 4, to be dated as of the date of delivery of the Bonds (“Obligation No. 4”), to be issued by the Corporation to the Commission;

(f) an Amended and Restated Master Trust Indenture dated as of October 1, 2010 (the “Master Indenture”) by and between the Parent Corporation, the Corporation and the Master Trustee; and

(g) a Preliminary Official Statement of the Commission dated September 21, 2010 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. 4 and Obligation No. 4; 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 and Revenue Refunding Bonds (Rex Healthcare) Series 2010A (the “Bonds”) in the aggregate principal amount of \$122,965,000. The Bonds shall mature in such amounts and at such times, be subject to Sinking Fund Requirements and bear interest at such rates as are set forth in Schedule 1 attached 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 January 1 and July 1, beginning January 1, 2011, to and including July 1, 2030. 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, extraordinary and mandatory 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 to refund the 1998 Bonds, finance a portion of the cost of the Project, pay a portion of the interest accruing on the 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

other 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 (or any other member of the Commission designated by the Chairman), Secretary or any Assistant Secretary of the Commission are 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 other 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 the Master Indenture, Supplement No. 4 and Obligation No. 4 are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications, insertions and deletions as the Chairman, Vice Chairman (or any other member of the Commission designated by the Chairman), 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 by the Commission 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 \$126,627,921.29 (representing the principal amount of the Bonds plus net original issue premium of \$4,491,149.80 and less underwriters' discount of \$828,228.51).

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 (or any other member of the Commission designated by the Chairman), Secretary and any Assistant Secretary are 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. 4 and Obligation No. 4 by the Underwriters in connection with such offer and sale.

Section 12. U.S. Bank National Association 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. Drexdal R. Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission, Steven C. Lewis, 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 (or any other member of the Commission designated by the Chairman), Secretary and any Assistant Secretary of the Commission 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. This Series Resolution shall take effect immediately upon its passage.

Schedule 1

Maturity Schedule

\$86,085,000 2010A Serial Bonds

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$3,120,000	2.00%
2012	4,645,000	4.00

2013	4,835,000	3.00
2014	4,980,000	4.00
2015	5,175,000	5.00
2016	2,030,000	3.50
2016	3,405,000	4.00
2017	5,645,000	5.00
2018	1,070,000	4.00
2018	4,855,000	5.00
2019	6,210,000	4.00
2020	6,460,000	5.00
2021	6,785,000	4.00
2022	4,805,000	4.00
2022	2,250,000	5.00
2023	7,360,000	4.125
2024	5,100,000	4.00
2024	1,000,000	4.25
2025	6,355,000	4.25

\$36,880,000 5.00% Term Bond due July 1, 2030

<u>Due July 1</u>	<u>Sinking Fund Requirement</u>
2026	\$6,655,000
2027	7,000,000
2028	7,360,000
2029	7,735,000
2030	8,130,000

Professional Fees Comparison for
Rex Hospital 2010A Bonds

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Underwriters' discount	\$1,341,680 (including Underwriters' counsel fees of \$75,000)	\$828,229
Underwriters' counsel	See above	70,000
Accountants	55,000	55,000
Corporation counsel	45,000	60,000
Bond counsel	115,000	115,000
Financial advisor	155,100	165,309

3. **RESOLUTION RELATING TO THE AMENDMENT OF THE AMENDED AND RESTATED TRUST AGREEMENT SECURING THE OUTSTANDING NORTH CAROLINA MEDICAL CARE COMMISSION VARIABLE RATE DEMAND HEALTH CARE FACILITIES FIRST MORTGAGE REVENUE BONDS (CAROL WOODS PROJECT), SERIES 2001-** Remarks were made by Kevin Dougherty.

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

WHEREAS, The Chapel Hill Residential Retirement Center, Inc. (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 Variable Rate Demand Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2001 (the “Series 2001 Bonds”), pursuant to that certain Amended and Restated Trust Agreement, dated as of November 1, 2007 (the “Trust Agreement”), between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Trustee”), amending and restating the Trust Agreement, dated as of June 1, 2001, between the Commission and the Trustee; and

WHEREAS, the Commission has heretofore loaned to the Corporation the proceeds of the Series 2001 Bonds pursuant to a Loan Agreement, dated as of June 1, 2001, between the Commission and the Corporation; and

WHEREAS, the Corporation has elected to call the Series 2001 Bonds for redemption on or about November 5, 2010, and has requested that the Commission amend the definition of “Available Moneys” set forth in Article I of the Trust Agreement so that the use of such term is consistent with the provisions of Article XII of the Trust Agreement; and

WHEREAS, Section 1101(g) of the Trust Agreement provides that it can be amended without the consent of the Holders (as defined in the Trust Agreement) of the Series 2001 Bonds for the purpose of curing any ambiguity or correcting or supplementing any provision contained in the Trust Agreement that may be defective or inconsistent with any provision contained in the Trust Agreement, or making such other provisions in regards to matters or questions arising under the Trust Agreement which shall not materially and adversely affect the interest of the Holders, and the Corporation has requested that the Commission so amend the Trust Agreement;

WHEREAS, there has been presented at this meeting a draft of the Supplemental Trust Agreement Amending the Amended and Restated Trust Agreement, to be dated as of October 15, 2010 (the “Supplemental Trust Agreement”), between the Commission and the Trustee; and

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

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

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 the Assistant Secretary of the Commission are hereby authorized and directed to execute and deliver the Supplemental Trust Agreement 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 the 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 Supplemental Trust Agreement.

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

4. **SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF UP TO \$30,000,000 NORTH CAROLINA MEDICAL CARE COMMISSION HEALTH CARE FACILITIES FIRST MORTGAGE REVENUE BONDS (CAROL WOODS PROJECT), SERIES 2010** – Remarks were made by Kevin Dougherty and Tommy Brewer.

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

WHEREAS, The Chapel Hill Residential Retirement Center, 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 retirement facility for the elderly in Chapel Hill, North Carolina; and

WHEREAS, the Commission has previously issued its Variable Rate Demand Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2001 in the aggregate principal amount of \$33,030,000, of which \$27,315,000 principal amount is currently outstanding (the “Prior Bonds”), pursuant to that certain Amended and Restated Trust

Agreement, dated as of November 1, 2007, between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee, securing the Prior Bonds; and

WHEREAS, the Corporation has made an application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (i) pay, or reimburse the Corporation for paying, the cost of the Project (as defined in the hereinafter-mentioned Loan Agreement), (ii) refund the Prior Bonds and (iii) pay certain expenses incurred in connection with the authorization and issuance of the Bonds (as hereinafter defined); and

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on August 13, 2010, 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) the Contract of Purchase, to be dated October 22, 2010 or such other date as shall be agreed upon by the parties thereto (the "Contract of Purchase"), by and between the Local Government Commission of North Carolina (the "Local Government Commission") and Branch Banking and Trust Company (the "Bank"), and approved by the Commission and the Corporation;

(b) the Loan Agreement, to be dated as of October 1, 2010 or such other date as shall be agreed upon by the parties thereto (the "Loan Agreement"), by and between the Corporation and the Commission, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(c) the Trust Agreement, to be dated as of October 1, 2010 or such other date as shall be agreed upon by the parties thereto (the "Trust Agreement"), by and between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"), securing the Bonds;

(d) the Amended and Restated Master Trust Indenture, to be dated as of October 1, 2010 or such date as shall be agreed upon by the parties thereto (the "Master Indenture"), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"), amending and restating the Master Trust Indenture, dated as of June 1, 2001, by and between the Corporation and the Master Trustee;

(e) Supplemental Indenture for Obligation No. 4, to be dated as of October 1, 2010 or such other date as shall be agreed upon by the parties thereto ("Supplement No. 4"), by and between the Corporation and the Master Trustee;

(f) Obligation No. 4, to be dated the date of its issuance ("Obligation No. 4"), to be issued by the Corporation to the Commission and assigned by the Commission to the Bond Trustee;

(g) Supplemental Indenture for Obligation No. 5, to be dated as of October 1, 2010 or such other date as shall be agreed upon by the parties thereto (“Supplement No. 5”), by and between the Corporation and the Master Trustee; and

(h) Obligation No. 5, to be dated the date of its issuance (“Obligation No. 5”), to be issued by the Corporation to the Bank; and

WHEREAS, the Commission has determined that, taking into account historical financial performance and financial forecasts internally generated by the Corporation, the Corporation is financially responsible and capable of fulfilling its obligations under the Trust Agreement, the Loan Agreement, the Master Indenture, Supplement No. 4, Obligation No. 4, Supplement No. 5 and Obligation No. 5; and

WHEREAS, the Commission has determined that the public interest will be served by the proposed financing and that, taking into account historical financial performance and financial forecasts internally generated by the Corporation, adequate provision has been made for the payment of the principal of, redemption premium, if any, and interest on the Bonds;

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

Section 1. Defined Terms. 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 Loan Agreement or the Trust Agreement.

Section 2. Authorization of Bonds. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of a series of revenue bonds consisting of up to \$30,000,000 aggregate principal amount of North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2010 (the “Bonds”), dated the date of Closing, and having a final stated maturity date of April 1, 2035.

The Bonds shall be issued as fully registered bonds, initially in the denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000, provided that the Bonds may be initially issued to, and purchased by, the Bank in any principal amount, and thereafter in denominations authorized by the provisions of the Trust Agreement. Commencing on the date of Closing, the Bonds shall bear interest at the Bank-Bought Rate, calculated as provided in the Trust Agreement. Thereafter the Bonds shall bear interest as provided in the Trust Agreement. Interest on the Bonds shall be payable on each Interest Payment Date on so much of the principal amount of the Bonds as shall be advanced from time to time pursuant to the Contract of Purchase, the Trust Agreement and the Loan Agreement.

Section 3. Redemption. The Bonds shall be subject to extraordinary, optional and mandatory redemption at the times, upon the terms and conditions, and at the price set forth in the Trust Agreement.

Section 4. Optional and Mandatory Tender for Purchase. The Bonds shall be subject to optional and mandatory tender for purchase at the times, upon the terms and conditions, and at the price set forth in the Trust Agreement.

Section 5. Use of Bond Proceeds. The Commission hereby finds that the use of the proceeds of the Bonds for the purposes described in the preamble to this Series Resolution accomplishes the public purposes set forth in the Act. The proceeds of the Bonds shall be advanced as set forth in Section 2.10 of the Trust Agreement.

Section 6. Authorization of Loan Agreement and Trust Agreement. The forms, terms and provisions of the Loan Agreement and the 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 the Assistant Secretary of the Commission are hereby authorized and directed to execute and deliver the Loan Agreement and the Trust Agreement in substantially the forms presented to this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary and 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. Authorization of Contract of Purchase. The form, terms and provisions of the Contract of Purchase 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 is hereby authorized and directed to approve, by execution and delivery, the Contract of Purchase in substantially the form presented to this meeting, together with such changes, modifications, insertions and deletions as the Chairman, Vice Chairman or such member of the Commission, 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 8. Forms of Bonds. The forms of the Bonds set forth in the 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 the 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 to 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 9. Approval of Other Financing Documents. The forms, terms and provisions of the Master Indenture, Supplement No. 4, Obligation No. 4, Supplement No. 5 and Obligation No. 5 are hereby approved in substantially the forms presented at this meeting, together with such changes, modifications and deletions as the Chairman, Vice Chairman or any member of the Commission designated in writing by the Chairman of the Commission for such purpose, with the advice of counsel, may deem necessary and appropriate; and the execution and delivery of the Trust Agreement pursuant to Section 6 of this Series Resolution shall be conclusive evidence of the approval by the Commission of the agreements and instruments set forth in this Section 9.

Section 10. Purchase of Bonds. The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Bank at a price not exceeding \$30,000,000 (representing the maximum principal amount of the Bonds). Payment for the Bonds by the Bank from time to time shall be made at the purchase price of 100% of so much of the principal amount of the Bonds as shall be advanced from time to time pursuant to the Contract of Purchase. The Corporation will separately pay, on the date of Closing, the Bank a fee of \$75,000 in consideration for such purchase.

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 upon the due and valid execution of the Trust Agreement, the Loan Agreement, the Master Indenture, Supplement No. 4, Obligation No. 4, Supplement No. 5, Obligation No. 5 and the Contract of Purchase by the parties thereto and thereafter the Bond Trustee shall deliver the Bonds to the Bank against payment therefor in accordance with and subject to the provisions of the Contract of Purchase.

Section 11. Commission Representatives. Drexdal R. Pratt, Secretary to the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary to the Commission, and Steven C. Lewis, 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 Agreement, with full power to carry out the duties set forth therein.

Section 12. Designation of Bonds as Qualified Tax-exempt Obligations. The Commission hereby designates the Bonds as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

Section 13. Ancillary Actions. 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 the 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, including the refunding of the Prior Bonds, contemplated by the Trust Agreement, the Loan Agreement, the Master Indenture, Supplement No. 4, Obligation No. 4, Supplement No. 5, Obligation No. 5 and the Contract of Purchase.

Section 14. Professional Fees. A comparison of the professional fees as set forth in the resolution adopted by the Commission granting preliminary approval of this financing with the actual professional fees incurred in connection with this financing is attached to this Series Resolution as Schedule 1.

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

Schedule 1
Professional Fees

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Placement Fee	\$50,000	\$25,000
Accountant Fees	\$20,000	\$20,000
Legal Fees for Corporate Counsel	\$30,000	\$40,000
Bond Counsel	\$55,000	\$65,000
Bank Commitment Fee	\$90,000	\$75,000
Local Government Commission	\$3,500	\$3,500
Bank Counsel	\$45,000	\$50,000

5. Carol Woods Legal Fees Explanation

From: Pisano, Lisa A. [mailto:LPisano@mwoutsource.com] **On Behalf Of** Dougherty, J. Kevin
Sent: Wednesday, October 06, 2010 10:32 AM
To: Taylor, Chris
Cc: 'kreeb@carolwoods.org'; Dougherty, J. Kevin
Subject: Carol Woods Legal Fees

As shown in the Schedule attached to the Series Resolution for the Carol Woods Series 2010 Bonds, Counsel to Carol Woods, Bond Counsel and Bank Counsel are seeking increases of \$10,000, \$10,000 and \$5,000, respectively, from the preliminary fees set forth in the preliminary approval on August 13, 2010. These increases are attributable to substantial amendments to the Carol Woods Master Trust Indenture and substantial work on the real property security for the Series 2010 Bonds. This work will actually simplify the real property security for various obligations incurred or to be incurred in the future by Carol Woods. On a net basis, the total professional fees being paid in this financing are \$15,000 less than the total professional fees in the preliminary approval.

Kevin Dougherty

6. Series Resolution Authorizing the Financing of Various Energy Savings Equipment and Improvements for Ashe Memorial Hospital, Inc. Through the North Carolina Medical Care Commission Pursuant to a Master Lease and Sublease Agreement – Remarks were made by Mr. Jon Mize.

Executive Committee Action: A motion was made by Mr. Gerald Cox, seconded by Mr. Joe Crocker, 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 (a) borrow money and lend the same to a public or nonprofit agency for the purpose of financing or refinancing all or any part of the cost of health care facilities, (b) acquire by

purchase, lease, gift or otherwise any real or personal property and (c) sell, convey, lease, as lessor, mortgage, exchange, transfer or otherwise dispose of real or personal property; and

WHEREAS, Ashe Memorial Hospital, 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 various health care facilities in the County of Ashe, North Carolina; and

WHEREAS, the Corporation has made application to the Commission for assistance in financing (a) various energy savings equipment and improvements (collectively, the "Project") and (b) various financing costs related thereto; and

WHEREAS, the financing of the Project would be accomplished by the Commission entering into a Master Lease and Sublease Agreement, to be dated as of October 1, 2010 (the "Agreement"), among the Commission, the Corporation and PNC Equipment Finance, LLC (the "Lessor"), pursuant to which the Lessor will lease the Equipment to the Commission and the Commission will sublease the Equipment to the Corporation, and the Corporation will make lease payments to the Lessor, as assignee of the Commission, in amounts sufficient to pay the principal and interest component of the funds advanced by the Lessor under the Agreement and to pay the costs of the Project and certain financing costs related thereto (the "Lease Payments"); and

WHEREAS, in order to secure the Lease Payments pursuant to the terms of the Agreement, the Corporation will grant to the Commission (and the Lessor as assignee thereof) a security interest in the equipment constituting a portion of the Project; and

WHEREAS, funds advanced by the Lessor under the Agreement will be deposited in escrow with U.S. Bank National Association, as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement, to be dated as of October 1, 2010 (the "Escrow Agreement"), among the Commission, the Lessor, the Corporation and the Escrow Agent, pending disbursement thereof to pay the costs of the Project; and

WHEREAS, the Commission has determined that the public interest will be best served by the entering into the Agreement, the Escrow Agreement and certain other related documents to provide for the financing of the Project and, by resolution adopted by the Commission on August 13, 2010 (the "Commission Resolution"), has approved the proposed financing, 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 copies of the following documents:

(a) the Agreement, together with Schedule No. 1 ("Schedule No. 1") attached thereto which sets forth the particular terms of the funds advanced by the Lessor under the Agreement; and

(b) the Escrow Agreement; and

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Agreement, Schedule No. 1 and the Escrow Agreement;

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

Section 1. The terms of the financing pursuant to the Agreement (as reflected on Schedule No. 1) shall provide that (a) the aggregate principal amount advanced by Lessor under the Agreement pursuant to Schedule No. 1 shall not exceed \$1,500,000, (b) the term for repayment of amounts advanced under the Agreement pursuant to Schedule No. 1 shall not exceed December 31, 2022, and (c) the interest rate payable on the Lease Payments on the amount advanced under the Agreement pursuant to Schedule No. 1 shall not exceed 6.50% per annum (subject to adjustment under certain circumstances as provided in the Agreement).

Section 2. The Agreement shall be subject to prepayment at the times, in the amounts and upon the terms and conditions and at the prices set forth in the Agreement and Schedule No. 1.

Section 3. The forms, terms and provisions of the Agreement, Schedule No. 1 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 Assistant Secretary of the Commission are each hereby authorized and directed to execute and deliver the Agreement, Schedule No. 1 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, such execution and delivery to be conclusive evidence of the approval and authorization thereof by the Commission.

Section 4. The Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman, the Secretary and 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 Agreement, Schedule No. 1 and the Escrow Agreement.

Section 5. The Commission recommends that the Governor of the State of North Carolina approve the execution and delivery of the Agreement pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, and hereby requests such approval.

Section 6. 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 A hereto.

Section 7. This Series Resolution shall take effect immediately upon its passage.

PROFESSIONAL FEES

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Bond Counsel	\$35,000	\$35,000
Corporation Counsel	\$15,000	\$3,000
Bank Counsel	Not separately stated	\$25,000

7. **Maryfield, Inc. d/b/a Pennybyrn at Maryfield -Christopher B. Taylor, Scott Toth and Mike Kelly.**

Executive Committee Action: A motion was made by Mr. Joe Crocker, seconded by Dr. Robert Schaaf and unanimously approved.

Resolution: The Commission (1) grants preliminary approval to a project for Maryfield, Inc. to provide funds, to be used together with other available funds, to refund the Series 2005C North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities First Mortgage Revenue Bonds (Pennybyrn at Maryfield Project) Bonds outstanding in the amount of \$6,045,000. The Series 2005C Bonds will be refunded with the proceeds of the issuance of Bank Qualified Bonds. The Bank Qualified Bonds will be purchased by High Point Bank and Trust. The Bank Qualified Bonds have a 10 year term and carry a fixed rate for the first five years of 3.38%. The refunding will negate the risk of variable rate debt and free up the existing Debt Service Reserve Fund and Redemption Fund associated with the Series 2005C Bonds and (2) grants approvals for the following amendments and waivers:

- A) Consent to amend the definition of “Income Available for Debt Service” in the MTI to include all entry fees;
- B) Consent to waive the marketing consulting report for September 30, 2010;
- C) Consent to amend the marketing and occupancy covenants in the Loan Agreement;
- D) Consent to amend the Days’ Cash on Hand covenant in the MTI;
- E) Consent to amend the Long-Term Debt Service Coverage covenant in the MTI.

The approvals for the amendment and waivers are conditioned upon receipt of the required consents from the bondholders of the Series 2005A and 2005B Bonds. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$5,000,000
Debt Service Reserve Fund 2005C Bonds	844,000
Redemption Fund for 2005C Bonds	391,000
Other	<u>3,500</u>
Total Sources	\$6,238,500

ESTIMATED USES OF FUNDS

Amount to refund Series 2005C Bonds	6,045,000
Accountants fees	15,000
Corporation counsel	15,000
Bond counsel 45,000	
Bank fee and bank counsel	40,000
Bondholder counsel	50,000
Placement fee 25,000	
Local Government Commission fee	<u>3,500</u>
Total	\$6,238,500

Tentative approval is given with the understanding that the governing board of Maryfield, 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 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 |

G.S. 105 Community Benefits Percentage- 9.4%-results in 100% property tax exemption.

FYE 2009 from Audit

Operating Loss	(\$5,917,875)
Decrease in Unrestricted Net Assets	(\$5,148,110)
Decrease in Net Assets	(\$5,808,155)
Net Cash Revenues (used) by operating activities	(\$1,502,559)
Net Decrease in Cash and Cash Equivalences	(\$666,842)

Long Term Debt Service Coverage Ratio

FYE 2010	1.02
FYE 2011	1.71
FYE 2012	1.78
FYE 2013	1.53
FYE 2014	1.65

8. Well-Spring Retirement Community, Greensboro, NC – Christopher B. Taylor

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

Resolution: The Commission (1) grants preliminary approval to a project for Well-Spring Retirement Community to provide funds, to be used together with other available funds, to effect a conversion of the of the \$10,000,000 Health Care Facilities First Mortgage Weekly Adjustable Rate Revenue Bonds, Series 2003C Bonds outstanding in the amount of \$7,065,000 from the Weekly Variable Rate Mode to a Bank Qualified Bond Mode. The Bonds are being purchased by BB&T and will be held for an initial put period of 7 years. The Bonds will carry an interest rate of 68% of one month Libor plus 1.170%. The conversion is being done in order to negate the risks associated with letter of credit renewal terms and fees and (2) approves a First Supplemental Trust Indenture for the Series 2003C Bonds which adds a provision allowing a mandatory tender of the 2003C Bonds at Well-Spring’s direction and authorizes the Chairman, Vice-Chairman, Secretary or Assistant Secretary to execute such First Supplemental Trust Indenture.

The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued/converted	\$7,065,000
Equity contribution	<u>104,163</u>
Total	\$7,169,163

ESTIMATED USES OF FUNDS

Conversion of Series 2003C Bonds	\$7,065,000
Placement fee	10,000
Accountants fee	3,000
Corporation counsel	15,000
Bond counsel	25,000
Local Government Commission fee	3,500
Bank commitment fee	17,663
Bank counsel	20,000
Appraisal, phase I, title insurance	<u>10,000</u>
Total	\$7,169,163

Tentative approval is given with the understanding that the governing board of Well-Spring Retirement Community 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 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/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.
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

10. 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 |

G.S. 105 Community Benefits Percentage- 5% results in 100% property tax exemption.

Long Term Debt Service Coverage Ratio

FYE 2010	2.00
FYE 2011	2.10
FYE 2012	2.17
FYE 2013	2.23

FYE 2009 from Audit

Excess of Revenue, Gains and Other Support Over Expenses	\$4,166,342
Increase in Unrestricted Net Assets	\$3,666,342
Increase in Net Assets	\$2,567,541
Cash Flow for Operations	\$4,012,891
Increase in Cash	\$1,826,749

9. Adjournment

There being no further business, the meeting was adjourned at 11:45 a.m.

Respectfully submitted,

Christopher B. Taylor
Assistant Secretary

