

**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
FEBRUARY 4, 2011
2:00 P.M.**

Members of the Executive Committee Present:

Lucy Hancock Bode, Chairman
Dr. George Binder
Gerald P. Cox
Charles T. Frock
Dr. Carl K. Rust
Dr. Robert Schaaf

Members of the Executive Committee Absent:

Joseph D. Crocker, Vice-Chairman

Members of Staff Present:

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

Others Present:

Jeff Poley, Parker Poe Adams & Bernstein
John Randolph, Lancaster Pollard

1. **Purpose of Meeting**

To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to Watauga Medical Center, Inc. and Appalachian Regional Healthcare System, Inc.

2. **Series Resolution Authorizing the Issuance of \$35,310,000 North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (Appalachian Regional Healthcare System, Inc.), Series 2011A (the “Bonds”)** Remarks were made by Jeff Poley and John Randolph.

Executive Committee Action: A motion was made by Mr. Gerald Cox, seconded by Mr. Charles Frock and unanimously approved.

WHEREAS, the North Carolina Medical Care Commission (the “*Commission*”) is a commission of the Department of Health and Human Services of the State of North Carolina and is authorized under Chapter 131A of the General Statutes of North Carolina, as amended (the “*Act*”), to borrow money and to issue in evidence thereof bonds and notes for the purpose of providing funds to pay all or any part of the cost of financing or refinancing health care facilities; and

WHEREAS, Watauga Medical Center, Inc, (the “*Corporation*”) and Appalachian Regional Healthcare System, Inc. (the “*Parent Corporation*”) are nonprofit organizations duly organized and validly existing under and by virtue of the laws of the State of North Carolina, which own and operate acute care hospitals and other health care facilities located in Watauga and Avery Counties, North Carolina; and

WHEREAS, the Corporation has made an application to the Commission for a loan for the purposes of providing funds, with other available funds, to (a) refund the outstanding principal amount of the Medical Care Commission’s (i) Hospital Revenue Bonds (Pooled Financing Project) Series 1991B and (ii) Health Care Facilities Revenue Bonds (Watauga Medical Center Project) Series 2005, (b) fund a debt service reserve fund and (b) pay fees and expenses incurred in connection with the issuance of the Bonds; 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 February 4, 2011, (the “*Purchase Agreement*”), between the Local Government Commission of North Carolina and Lancaster Pollard & Co. and Davenport & Company LLP, as underwriters (the “*Underwriters*”), and approved by the Medical Care Commission, the Corporation and the Parent Corporation;
- (b) a Trust Agreement, dated as of February 1, 2011 (the “*Trust Agreement*”), by and between the Medical Care Commission and U.S. Bank National Association, as bond trustee (the “*Bond Trustee*”);

- (c) a Loan Agreement, dated as of February 1, 2011 (the “*Loan Agreement*”), by and among the Medical Care Commission, the Corporation and the Parent Corporation;
- (d) a Master Trust Indenture, dated as of February 1, 2011 (as supplemented, the “*Master Indenture*”), between the Corporation, the Parent Corporation, Appalachian Regional Medical Associates, Inc., Charles A. Cannon, Jr. Memorial Hospital, Incorporated and Blowing Rock Hospital, Incorporated and U.S. Bank National Association, as master trustee (the “*Master Trustee*”);
- (e) a Supplemental Indenture for Obligation No. 1, dated as of February 1, 2011 (“*Supplement No. 1*”), by and among the Corporation, the Parent Corporation and the Master Trustee;
- (f) Obligation No. 1, dated as of the date of delivery of the Bonds (“*Obligation No. 1*”), to be issued by the Corporation, the Parent Corporation to the Medical Care Commission;
- (g) a Leasehold Deed of Trust, dated as of February 1, 2011 (the “*Deed of Trust*”), from the Corporation to a deed of trust trustee named therein for the benefit of the Master Trustee; and
- (h) the Preliminary Official Statement with respect to the Bonds, proposed to be dated January 11, 2011 (the “*Preliminary Official Statement*”).

WHEREAS, the Commission has determined that the Corporation and the Parent Corporation are financially responsible and capable of fulfilling their respective obligations under the foregoing documents, including the Loan Agreement, the Deed of Trust, the Obligation No. 1 and Supplement No. 1; and

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

NOW, THEREFORE, THE EXECUTIVE COMMITTEE OF 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 Trust Agreement or the Loan Agreement.

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of its Health Care Facilities Revenue Refunding Bonds (Appalachian Regional Healthcare System. Inc.), Series 2011A, in the aggregate principal amount of \$35,310,000 (the “*Bonds*”). The Bonds shall mature in such amounts and at such times and shall bear interest at such rates as are set forth in Schedule 1 hereto attached.

Section 3. The Bonds shall be issued as fully registered bonds in the denomination of \$1,000 or any whole multiple thereof. Interest on the Bonds shall be payable on July 1, 2011,

and thereafter semiannually on each July 1 and January 1 until the Bonds are fully paid. Payments of principal of and interest on the Bonds shall be forwarded by the Bond Trustee to the registered owners of the Bonds in such manner as is set forth in the Trust Agreement.

Section 4. The Bonds shall be subject to optional, extraordinary optional and mandatory redemption at the times, upon the terms and conditions, and at the prices set forth in the Trust Agreement.

Section 5. The proceeds of the Bonds shall be applied as provided in Section 2.08 of the Trust Agreement. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to the Corporation and the Parent Corporation to be used in the manner set forth in the Loan Agreement and the Trust Agreement will accomplish the public purposes set forth in the Act.

Section 6. The forms, terms and provisions of the Trust Agreement and the Loan Agreement are hereby approved in all respects, and the Chairman, Vice Chairman or any other member of the Commission designated in writing 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 to this meeting, together with such changes, modifications and deletions as any of such persons, 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 as shall be set forth in the Purchase Agreement; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 7. The form, terms and provisions of the Purchase Agreement, including any and all certificates, exhibits and other documents attached or related thereto, are hereby approved in all respects, and the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman, is hereby authorized and directed to approve, by execution and delivery, the Purchase Agreement and such related certificates, exhibits and documents in substantially the form presented to this meeting together with such changes, modifications, insertions and deletions as any of such persons, 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. The form of the Bonds set forth in the Trust Agreement is hereby approved in all respects, and the Chairman, Vice Chairman or any other member of the Commission designated in writing 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 to this meeting together with such changes, modifications and deletions as any of such persons, 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. The forms, terms and provisions of the Deed of Trust, Supplement No. 1 and Obligation No. 1 are hereby approved in substantially the forms presented to this meeting,

together with such changes, modifications and deletions as the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman, 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 of the Deed of Trust, Supplement No. 1 and Obligation No. 1 by the Commission.

Section 10. The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Underwriters at the price of \$34,488,004.10 (which price represents the \$35,310,000 principal amount of the Bonds, less net original issue discount of \$345,310.90, and less underwriters' discount of \$476,685.00).

Section 11. 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 due and valid execution of the Purchase Agreement, the Trust Agreement, the Loan Agreement, the Deed of Trust, Supplement No. 1 and Obligation No. 1 by the parties thereto, the Bond Trustee shall deliver the Bonds to the Underwriters against payment therefor, subject to the provisions of Section 2.08 of the Trust Agreement.

Section 12. The Commission hereby ratifies the use and distribution of the Preliminary Official Statement in connection with the sale of the Bonds, and the Official Statement (the "*Official Statement*"), in substantially the form of the Preliminary Official Statement presented at this meeting, with such changes as are necessary to reflect the maturities, sinking fund requirements, redemption provisions, insurance provisions and interest rates of the Bonds, is hereby approved, and the Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman is hereby authorized to execute, on behalf of the Commission, the Official Statement in substantially such form, together with such changes, modifications and deletions as any of such persons, with the advice of counsel, may deem appropriate; and such execution shall be conclusive evidence of the approval thereof by the Commission, and the Commission hereby approves and authorizes the distribution and use of copies of the Official Statement, the Trust Agreement, the Loan Agreement, the Deed of Trust, Supplement No. 1 and Obligation No. 1 by the Underwriters in connection with such sale.

Section 13. The Depository Trust Company ("DTC"), New York, New York, is hereby appointed as the initial Securities Depository for the Bonds, with Cede & Co., as nominee of DTC, being the initial Securities Depository Nominee and initial registered owner of the Bonds.

Section 14. Drexdal Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission and Kathy C. Larrison, Auditor of the Commission, are each hereby appointed a Commission Representative as that term is defined in the Trust Agreement and the Loan Agreement, with full power to carry out the duties set forth therein. The Assistant Secretary of the Commission is authorized to execute and deliver the Tax Certificate and Form 8038 in such form as he, 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, and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 15. A comparison of the professional fees as set forth in the resolution adopted by the Commission granting preliminary approval of this financing with the current estimate of professional fees incurred in connection with the financing is set forth in Schedule 2 attached hereto and made a part hereof. Final professional fees will be submitted to Commission within 30 days after payment of all such fees.

Section 16. The Chairman, Vice Chairman or any other member of the Commission designated in writing by the Chairman and 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 any of such persons, 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 17. This Series Resolution shall take effect immediately upon its passage.

MATURITY SCHEDULE**\$9,825,000 Serial Bonds**

DUE JULY 1	PRINCIPAL AMOUNT	INTEREST RATE
2012	\$ 600,000	2.000%
2013	705,000	3.000
2014	925,000	3.000
2015	955,000	4.000
2016	990,000	4.000
2017	1,030,000	4.000
2018	1,075,000	4.625
2019	1,125,000	5.000
2020	1,180,000	5.375
2021	1,240,000	5.500

\$7,450,000 6.375% Term Bonds due July 1, 2026

DUE JULY 1	SINKING FUND REQUIREMENT
2022	\$1,310,000
2023	1,395,000
2024	1,485,000
2025	1,580,000
2026*	1,680,000

*Maturity

\$10,180,000 6.50% Term Bonds due July 1, 2031

DUE JULY 1	SINKING FUND REQUIREMENT
2027	\$1,785,000
2028	1,905,000
2029	2,030,000
2030	2,160,000
2031*	2,300,000

*Maturity

\$7,855,000 6.625% Term Bonds due July 1, 2034

DUE JULY 1	SINKING FUND REQUIREMENT
2032	\$2,450,000
2033	2,615,000
2034*	2,790,000

*Maturity

**Professional Fees Comparison
Health Care Facilities Revenue Refunding Bonds
(Appalachian Regional Healthcare System. Inc.) Series 2011A**

PROFESSIONAL	FEE ESTIMATED IN PRELIMINARY APPROVAL RESOLUTION	CURRENT ESTIMATE OF FEES
Bond Counsel	\$ 70,000	\$ 65,000
Underwriters	496,935	476,685
Underwriters' Counsel	50,000	50,000
Trustee	1,500	1,500
Accountant	8,500	8,500
Borrower's Counsel	32,000	45,000

3. **ADJOURNMENT**

There being no further business, the meeting was adjourned at 2:30 p.m.

Respectfully Submitted,

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

Date