

**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 9, 2011  
11:00 A.M**

**Members of the Executive Committee Present:**

Lucy Hancock Bode, Chairman  
Joseph D. Crocker, Vice-Chairman  
Dr. George Binder  
George H. V. Cecil  
Charles T. Frock  
Dr. Robert E. Schaaf

**Members of the Executive Committee Absent:**

Charles T. Frock

**Members of Staff Present:**

Christopher B. Taylor, CPA, Assistant Secretary  
Alice S. Creech, Bond Program Assistant

**Others Present:**

Kevin Dougherty, McGuire Woods, LLP  
David Ertel, Morgan Stanley  
Bruce Gurley, Morgan Stanley

**1. Purpose of Meeting**

To consider a Series Resolution authorizing the issuance of \$60,170,000 North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Moses Cone Health System), Series 2011A.

- 2. SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF \$60,170,000 NORTH CAROLINA MEDICAL CARE COMMISSION HOSPITAL REVENUE REFUNDING BONDS (MOSES CONE HEALTH SYSTEM), SERIES 2011A-** Remarks were made by Kevin Dougherty, David Ertel and Bruce Gurley.

**Executive Committee Action:** A motion was made by Mr. Joe Crocker, seconded by Dr. Robert Schaaf and unanimously approved with Lucy Bode, Gerald Cox and Dr. Carl Rust 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**, each of The Moses H. Cone Memorial Hospital (the “Parent Corporation”) and The Moses H. Cone Memorial Hospital Operating Corporation (the “Operating Corporation”) is a private, nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina;

**WHEREAS**, the Parent Corporation and the Operating Corporation own and the Operating Corporation operates health care facilities located in Greensboro and Reidsville, North Carolina;

**WHEREAS**, the Parent Corporation and the Operating Corporation have made an application to the Commission for a loan for the purposes of providing funds, together with other available funds, to (i) refund the Commission’s outstanding Hospital Revenue Bonds (The Moses H. Cone Memorial Hospital Project), Series 1993 (the “Prior Bonds”) and (ii) pay certain expenses incurred in connection with the authorization and issuance of the Bonds (as hereinafter defined);

**WHEREAS**, the Commission has determined that the public will best be served by the proposed refinancing and, by a resolution adopted on November 19, 2010, has approved the issuance of the Bonds, subject to compliance by the Parent Corporation and the Operating Corporation with the conditions set forth in such resolution, and the Parent Corporation and the Operating Corporation have complied with such conditions to the satisfaction of the Commission;

**WHEREAS**, there have been presented at this meeting the Preliminary Official Statement, dated January 28, 2011 (the “Preliminary Official Statement), and draft copies of the following documents relating to the issuance of the Bonds:

(a) (i) the Bond Purchase Agreement, to be dated February 9, 2011 (the “Bond Purchase Agreement”), by and between the Local Government Commission of North Carolina (the “Local Government Commission”) and Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, BB&T Capital Markets, a division of Scott & Stringfellow, LLC, Wells Fargo Bank, National Association and Edward D. Jones & Co., L.P. (collectively, the “Underwriters”), and approved by the Commission, the Parent Corporation and the Operating Corporation, and (ii) the Letters of Representation (the “Letters of Representation”) attached to the Bond Purchase Agreement;

(b) the Supplemental Master Indenture for Obligation No. 20, dated as of February 1, 2011 (“Supplemental Indenture No. 20”), by and among the Parent Corporation, the Operating Corporation and The Bank of New York Mellon Trust Company, N.A., as successor master trustee (the “Master Trustee”), supplementing the First Amended and Restated Master Trust Indenture, dated as of November 1, 1998 (the “Master Indenture”), among the Parent Corporation, the Operating Corporation, the Moses Cone-Wesley Long Community Health Foundation, Inc. (the “Foundation”) and the Master Trustee;

(c) the Trust Agreement, dated as of February 1, 2011 (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”), the provisions of which relate to the issuance of and security for the Bonds;

(d) the Loan Agreement, dated as of February 1, 2011 (the “Loan Agreement”), by and among the Parent Corporation, the Operating Corporation and the Commission, pursuant to which the Commission will lend the proceeds of the Bonds to the Parent Corporation and the Operating Corporation;

(e) Obligation No. 20 of the Parent Corporation and the Operating Corporation, dated the date of its issuance (“Obligation No. 20”), to be issued by the Parent Corporation and the Operating Corporation to the Commission; and

(f) the proposed Second Amended and Restated Master Trust Indenture (the “Second Amended and Restated Master Indenture”), by and among the Parent Corporation, the Operating Corporation, the Foundation and the Master Trustee, which purports to amend and restate in its entirety the Master Indenture;

**WHEREAS**, the Commission has determined that, taking into account historical financial performance and financial forecasts internally generated by the Parent Corporation and the Operating Corporation, the Parent Corporation and the Operating Corporation are financially responsible and capable of fulfilling their obligations under the Loan Agreement, Obligation No. 20 and Supplemental Indenture No. 20; and

**WHEREAS**, the Commission has determined that the public interest will be served by the proposed refinancing and that, taking into account historical financial performance and financial forecasts internally generated by the Parent Corporation and the Operating 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.** 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 and the Loan Agreement.

**Section 2.** Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of the North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Moses Cone Health System), Series 2011A in the aggregate principal amount of \$60,170,000 (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 attached hereto and made a part hereof.

The Bonds shall be issued as fully-registered bonds, initially in denominations of \$5,000 or any whole multiple thereof. The Bonds shall be initially issued in book-entry-only form as described in the Trust Agreement. Interest on the Bonds shall be payable on each April 1 and October 1, beginning April 1, 2011, until the Bonds are fully paid. Payments of principal 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 extraordinary and optional redemption and purchase in lieu of redemption at the times, upon the terms and conditions, and at the prices set forth in the Trust Agreement.

**Section 4.** The proceeds of the Bonds shall be applied as provided in Section 2.08 of the Trust Agreement.

The Commission hereby finds that the use of the proceeds of the Bonds for a loan to refinance the Prior Bonds accomplishes 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, 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 Trust Agreement and the Loan 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 as shall be set forth in the Bond Purchase Agreement; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 6.** The forms, terms and provisions of the Bond Purchase Agreement and the Letters of Representation 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 Bond Purchase Agreement and the Letters of Representation in substantially the forms 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 7.** The form of the Bonds set forth in the Trust Agreement is 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, 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 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 Supplemental Indenture No. 20 and Obligation No. 20 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 5 of this Series Resolution shall be conclusive evidence of the approval by the Commission of Supplemental Indenture No. 20 and Obligation No. 20.

**Section 9.** The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Underwriters at the price of \$62,089,612.74 (which price represents the principal amount of the Bonds, less an underwriters' discount of \$469,898.76, plus net original issue premium of \$2,389,511.50).

**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 due and valid execution of the Bond Purchase Agreement, the Trust Agreement, Supplemental Indenture No. 20, Obligation No. 20 and the Loan Agreement by the proper 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 11.** 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, with such changes as are necessary to reflect the maturities, redemption provisions and interest rates of the Bonds, is hereby approved, 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 to execute, on behalf of the Commission, the Official Statement; and 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 Master Indenture, Supplemental Indenture No. 20, Obligation No. 20 and the Loan Agreement by the Underwriters in connection with such sale.

**Section 12.** 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 13.** Drexal 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 to 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.

**Section 14.** The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Bond Trustee for the Bonds. The Commission hereby approves the appointment of The Bank of New York Mellon Trust Company, N.A. as successor master trustee under the Master Indenture, such appointment to take effect upon the obtaining of the requisite consents therefor.

**Section 15.** The form, terms and provisions of the Second Amended and Restated Master Indenture are hereby approved in substantially the form presented at this meeting, such Second Amended and Restated Master Indenture to take effect upon the obtaining of the requisite consents therefor.

**Section 16.** 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 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 Bond Purchase Agreement, the Official Statement, the Master Indenture, Supplemental Indenture No. 20 and Obligation No. 20.

**Section 17.** 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 set forth in Schedule 2 attached hereto and made a part hereof.

**Section 18.** This Series Resolution shall take effect immediately upon its passage.

**Schedule 1**  
**Maturity Schedule**

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$5,745,000	4.00%
2014	5,970,000	5.00
2015	980,000	4.00
2015	5,290,000	5.00
2016	2,500,000	3.20
2016	2,670,000	5.00
2017	5,110,000	5.00
2018	2,500,000	4.00
2018	2,630,000	5.00
2019	1,835,000	4.30
2019	3,250,000	5.00
2020	5,380,000	5.00
2021	3,285,000	4.75
2021	2,110,000	5.00
2022	5,440,000	5.00
2023	5,475,000	5.00

**Schedule 2**  
**Professional Fees**

<u>Professional</u>	<u>Preliminary Approval</u> <sup>(1)</sup>	<u>Actual</u>
Underwriters' Counsel	\$100,000	\$60,000
Accountants	75,000	40,000
Corporation Counsel	50,000	50,000
Bond Counsel	175,000	75,000
Financial Advisor	175,000	88,000

- (1) Preliminary approval was granted for (a) the refinancing of all of the outstanding revenue bonds issued for the benefit of the Parent Corporation and the Operating Corporation and (b) the financing of capital projects for the Parent Corporation and the Operating Corporation. The issuance of a second series of revenue bonds, the Series 2011B Bonds, is contemplated in calendar year 2011 for the purpose of financing such capital projects.

**3. Adjournment**

There being no further business, the meeting was adjourned at 11:14 a.m.

Respectfully submitted,

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Christopher B. Taylor, CPA  
Assistant Secretary

Date: February 9, 2011