

NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

**The North Carolina Medical Care Commission
809 Ruggles Drive
Raleigh, North Carolina**

MINUTES

**CALLED MEETING OF THE EXECUTIVE COMMITTEE
CONFERENCE TELEPHONE MEETING ORIGINATING
FROM THE COMMISSION'S OFFICE
September 15, 2011
11:00 A.M.**

Members of the Executive Committee Present:

Joseph D. Crocker, Vice-Chairman
Dr. George Binder
Gerald P. Cox
Charles T. Frock
Dr. Carl K. Rust
Dr. Robert E. Schaaf

Members of the Executive Committee Absent:

Lucy Hancock Bode, Chairman

Members of Staff Present:

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

Others Present:

Curtis Baker, BB&T Capital Markets
Cham Dickey, Friends Homes, Inc.
Kevin Dougherty, McGuire Woods, LLP
John Franklin, BB&T Capital Markets
Bruce Gurley, Morgan Stanley
Tim Jackson, Friends Homes, Inc.

1. **Purpose of meeting**

To approve the sale of bonds for Cone Health, Series 2011C and 2011D and to consider granting preliminary approval to a project for Friends Homes, Inc.

2. **SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF \$50,000,000 NORTH CAROLINA MEDICAL CARE COMMISSION HOSPITAL REVENUE BONDS (CONE HEALTH), SERIES 2011C**-Remarks were made by Kevin Dougherty and Bruce Gurley.

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

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

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 pay the cost of the Project (as defined in the hereinafter-mentioned Loan Agreement);

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on November 19, 2010, has approved the issuance of the Bonds (as hereinafter defined), 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 draft copies of the following documents relating to the issuance of the Bonds:

- (a) the Contract of Purchase, to be dated on or about September 21, 2011 (the “Contract of Purchase”), by and between the Local Government Commission of North Carolina (the “Local

Government Commission”) and Bank of America, N.A. (the “Bank”), and approved by the Commission, the Parent Corporation and the Operating Corporation;

(b) the Supplemental Master Indenture for Obligation No. 25, dated as of September 1, 2011 (“Supplemental Indenture No. 25”), by and among the Parent Corporation, the Operating Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”), supplementing the Second Amended and Restated Master Trust Indenture, dated as of August 1, 2011 (the “Master Indenture”), among the Parent Corporation, the Operating Corporation, the Moses Cone-Wesley Long Community Health Foundation, Inc. and the Master Trustee;

(c) the Supplemental Master Indenture for Obligation No. 26, dated as of September 1, 2011 (“Supplemental Indenture No. 26” and, together with Supplemental Indenture No. 25, the “Supplemental Indentures”), by and among the Parent Corporation, the Operating Corporation and the Master Trustee;

(d) the Trust Agreement, dated as of September 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;

(e) the Loan Agreement, dated as of September 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;

(f) Obligation No. 25 of the Parent Corporation and the Operating Corporation, dated the date of its issuance (“Obligation No. 25”), to be issued by the Parent Corporation and the Operating Corporation to the Commission;

(g) Obligation No. 26 of the Parent Corporation and the Operating Corporation, dated the date of its issuance (“Obligation No. 26” and, together with Obligation No. 25, the “Obligations”), to be issued by the Parent Corporation and the Operating Corporation to Bank of America, N.A. (the “Bank”); and

(h) the Credit Agreement, dated as of September 1, 2011 (the “Credit Agreement”), by and among the Parent Corporation, the Operating Corporation and the Bank;

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, the Credit Agreement, the Obligations and the Supplemental Indentures; 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 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 Bonds (Cone Health), Series 2011C, in the aggregate principal amount of \$50,000,000 (the "Bonds"), dated as of their original date of issuance and maturing on October 1, 2044.

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 thereof and thereafter in denominations permitted by the provisions of the Trust Agreement. Commencing on the date of original delivery of the Bonds, the Bonds shall bear interest at the Index Rate calculated as provided in the Trust Agreement. The Initial Period shall commence on the date of original delivery of the Bonds and shall end on September 21, 2015. The initial Index Rate shall be the LIBOR Index Rate, and during the Initial Period, the LIBOR Index Rate shall be the per annum rate of interest equal to the sum of (i) 0.31% plus (ii) the product of the LIBOR Index multiplied by 65.1%. Thereafter the Bonds shall bear interest as provided in the Trust Agreement. Interest on the Bonds shall be payable on each Interest Payment Date as provided in the Trust Agreement. 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 optional, extraordinary and mandatory redemption at the times, upon the terms and conditions, and at the price set forth in the Trust Agreement. The Sinking Fund Requirements for the Bonds are set forth in Schedule 1 attached hereto. In addition, the Bonds are subject to optional and mandatory tender for purchase at such times, under such circumstances and upon such terms and conditions as are set forth in the Trust Agreement.

Section 4. The proceeds of the Bonds shall be applied as provided in Section 219 of the Trust Agreement.

The Commission hereby finds that the use of the proceeds of the Bonds for a loan to finance the Project 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; 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 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 7. 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 any Assistant Secretary of the Commission are hereby authorized and directed to execute, by manual or facsimile signature as provided in such forms of the Bonds, and to deliver to the Bond Trustee for authentication on behalf of the Commission, the Bonds in definitive form, which shall be in substantially the forms presented 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 the Credit Agreement, the Supplemental Indentures and the Obligations 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 the Credit Agreement, the Supplemental Indentures and the Obligations.

Section 9. The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Bank at the price of \$50,000,000 (which price represents the principal amount of the Bonds).

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 Contract of Purchase, the Trust Agreement, the Credit Agreement, the Supplemental Indentures, the Obligations and the Loan Agreement by the proper parties thereto, the Bond Trustee shall deliver the Bonds to the Bank against payment therefor.

Section 11. 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 12. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Bond Trustee for the Bonds.

Section 13. 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 Credit Agreement, the Master Indenture, the Supplemental Indentures and the Obligations.

Section 14. 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 15. This Series Resolution shall take effect immediately upon its passage.

Schedule 1

Sinking Fund Requirements

<u>Year</u> <u>(October 1)</u>	<u>Amount</u>
2036	\$ 4,800,000
2037	4,970,000
2038	5,150,000
2039	5,340,000
2040	5,535,000
2041	5,735,000
2042	5,940,000
2043	6,155,000
2044*	6,375,000

* Maturity.

Schedule 2

Professional Fees

<u>Professional</u>	<u>Preliminary</u> <u>Approval</u> ⁽¹⁾	<u>Series 2011A</u> <u>Bonds</u> ⁽²⁾	<u>Series 2011B</u> <u>Bonds</u> ⁽³⁾	<u>Series 2011C</u> <u>Bonds</u> ⁽⁴⁾	<u>Series 2011D</u> <u>Bonds</u> ⁽⁵⁾
Underwriter's Counsel	\$ 100,000	\$ 60,000	\$ 55,000	\$ –	\$ –
Accountants	75,000	40,000	11,374	11,813	11,813
Corporation Counsel	50,000	50,000	30,000	17,500	17,500
Bond Counsel	175,000	75,000	87,500	43,750	43,750
Financial Advisor	175,000	88,000	12,856	11,750	11,750
Bank's Counsel	–	–	–	29,698	29,698

(1) Preliminary approval was granted on November 19, 2010 for (a) a bond issue to refinance all of the outstanding revenue bonds issued for the benefit of the Parent Corporation and the Operating Corporation and (b) a bond issue to finance capital projects for the Parent Corporation and the Operating Corporation.

(2) The Series 2011A Bonds were issued on February 16, 2011 in a public offering for the purpose of refunding the North Carolina Medical Care Commission Hospital Revenue Bonds (The Moses H. Cone Memorial Hospital Project), Series 1993.

(3) The Series 2011B Bonds were issued on August 4, 2011 in a public offering for the purpose of refunding the North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Moses Cone Health System), Series 2008.

(4) The Series 2011C Bonds will be issued on September 21, 2011 in a direct purchase by Bank of America, N.A. for the purpose of financing a portion of the cost of the Project.

(5) The Series 2011D Bonds will be issued on September 21, 2011 in a direct purchase by Bank of America, N.A. for the purpose of financing a portion of the cost of the Project.

3. SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF \$50,000,000 NORTH CAROLINA MEDICAL CARE COMMISSION HOSPITAL REVENUE BONDS (CONE HEALTH), SERIES 2011D- Remarks were made by Kevin Dougherty and Bruce Gurley

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

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

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 pay the cost of the Project (as defined in the hereinafter-mentioned Loan Agreement);

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on November 19, 2010, has approved the issuance of the Bonds (as hereinafter defined), 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 draft copies of the following documents relating to the issuance of the Bonds:

(a) the Contract of Purchase, to be dated on or about September 21, 2011 (the “Contract of Purchase”), by and between the Local Government Commission of North Carolina (the “Local Government Commission”) and Bank of America, N.A. (the “Bank”), and approved by the Commission, the Parent Corporation and the Operating Corporation;

(b) the Supplemental Master Indenture for Obligation No. 27, dated as of September 1, 2011 (“Supplemental Indenture No. 27”), by and among the Parent Corporation, the Operating Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the

“Master Trustee”), supplementing the Second Amended and Restated Master Trust Indenture, dated as of August 1, 2011 (the “Master Indenture”), among the Parent Corporation, the Operating Corporation, the Moses Cone-Wesley Long Community Health Foundation, Inc. and the Master Trustee;

(c) the Supplemental Master Indenture for Obligation No. 28, dated as of September 1, 2011 (“Supplemental Indenture No. 28” and, together with Supplemental Indenture No. 27, the “Supplemental Indentures”), by and among the Parent Corporation, the Operating Corporation and the Master Trustee;

(d) the Trust Agreement, dated as of September 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;

(e) the Loan Agreement, dated as of September 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;

(f) Obligation No. 27 of the Parent Corporation and the Operating Corporation, dated the date of its issuance (“Obligation No. 27”), to be issued by the Parent Corporation and the Operating Corporation to the Commission;

(g) Obligation No. 28 of the Parent Corporation and the Operating Corporation, dated the date of its issuance (“Obligation No. 28” and, together with Obligation No. 27, the “Obligations”), to be issued by the Parent Corporation and the Operating Corporation to Bank of America, N.A. (the “Bank”); and

(h) the Credit Agreement, dated as of September 1, 2011 (the “Credit Agreement”), by and among the Parent Corporation, the Operating Corporation and the Bank;

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, the Credit Agreement, the Obligations and the Supplemental Indentures; 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 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 Bonds (Cone Health), Series 2011D, in the aggregate principal amount of \$50,000,000 (the “Bonds”), dated as of their original date of issuance and maturing on October 1, 2044.

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 thereof and thereafter in denominations permitted by the provisions of the Trust Agreement. Commencing on the date of original delivery of the Bonds, the Bonds shall bear interest at the Index Rate calculated as provided in the Trust Agreement. The Initial Period shall commence on the date of original delivery of the Bonds and shall end on September 21, 2016. The initial Index Rate shall be the LIBOR Index Rate, and during the Initial Period, the LIBOR Index Rate shall be the per annum rate of interest equal to the sum of (i) 0.40% plus (ii) the product of the LIBOR Index multiplied by 65.1%. Thereafter the Bonds shall bear interest as provided in the Trust Agreement. Interest on the Bonds shall be payable on each Interest Payment Date as provided in the Trust Agreement. 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 optional, extraordinary and mandatory redemption at the times, upon the terms and conditions, and at the price set forth in the Trust Agreement. The Sinking Fund Requirements for the Bonds are set forth in Schedule 1 attached hereto. In addition, the Bonds are subject to optional and mandatory tender for purchase at such times, under such circumstances and upon such terms and conditions as are set forth in the Trust Agreement.

Section 4. The proceeds of the Bonds shall be applied as provided in Section 219 of the Trust Agreement.

The Commission hereby finds that the use of the proceeds of the Bonds for a loan to finance the Project 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; 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 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 7. 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 any Assistant Secretary of the Commission are hereby authorized and directed to execute, by manual or facsimile signature as provided in such forms of the Bonds, and to deliver to the Bond Trustee for authentication on behalf of the Commission, the Bonds in definitive form, which shall be in substantially the forms presented 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 the Credit Agreement, the Supplemental Indentures and the Obligations 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 the Credit Agreement, the Supplemental Indentures and the Obligations.

Section 9. The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Bank at the price of \$50,000,000 (which price represents the principal amount of the Bonds).

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 Contract of Purchase, the Trust Agreement, the Credit Agreement, the Supplemental Indentures, the Obligations and the Loan Agreement by the proper parties thereto, the Bond Trustee shall deliver the Bonds to the Bank against payment therefor.

Section 11. 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 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 12. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Bond Trustee for the Bonds.

Section 13. 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 Credit Agreement, the Master Indenture, the Supplemental Indentures and the Obligations.

Section 14. 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 15. This Series Resolution shall take effect immediately upon its passage.

Schedule 1

Sinking Fund Requirements

<u>Year</u> <u>(October 1)</u>	<u>Amount</u>
2036	\$ 4,800,000
2037	4,975,000
2038	5,155,000
2039	5,335,000
2040	5,530,000
2041	5,730,000
2042	5,940,000
2043	6,155,000
2044*	6,380,000

* Maturity.

Schedule 2

Professional Fees

<u>Professional</u>	<u>Preliminary</u> <u>Approval</u> ⁽¹⁾	Series 2011A <u>Bonds</u> ⁽²⁾	Series 2011B <u>Bonds</u> ⁽³⁾	Series 2011C <u>Bonds</u> ⁽⁴⁾	Series 2011D <u>Bonds</u> ⁽⁵⁾
Underwriter's Counsel	\$ 100,000	\$ 60,000	\$ 55,000	\$ –	\$ –
Accountants	75,000	40,000	11,374	11,813	11,813
Corporation Counsel	50,000	50,000	30,000	17,500	17,500
Bond Counsel	175,000	75,000	87,500	43,750	43,750
Financial Advisor	175,000	88,000	12,856	11,750	11,750
Bank's Counsel	–	–	–	29,698	29,698

(1) Preliminary approval was granted on November 19, 2010 for (a) a bond issue to refinance all of the outstanding revenue bonds issued for the benefit of the Parent Corporation and the Operating Corporation and (b) a bond issue to finance capital projects for the Parent Corporation and the Operating Corporation.

(2) The Series 2011A Bonds were issued on February 16, 2011 in a public offering for the purpose of refunding the North Carolina Medical Care Commission Hospital Revenue Bonds (The Moses H. Cone Memorial Hospital Project), Series 1993.

(3) The Series 2011B Bonds were issued on August 4, 2011 in a public offering for the purpose of refunding the North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Moses Cone Health System), Series 2008.

(4) The Series 2011C Bonds will be issued on September 21, 2011 in a direct purchase by Bank of America, N.A. for the purpose of financing a portion of the cost of the Project.

(5) The Series 2011D Bonds will be issued on September 21, 2011 in a direct purchase by Bank of America, N.A. for the purpose of financing a portion of the cost of the Project.

4. Friends Homes, Incorporated, Greensboro - Christopher B. Taylor, John Franklin and Cham Dickey

Executive Committee Action: A motion was made by Dr. George Binder, seconded by Dr. Robert Schaaf and unanimously approved with Mr. Gerald Cox and Dr. Carl Rust abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for Friends Homes Incorporated to provide funds, to be used together with other available money's, to refund the outstanding balance of the \$45,165,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Friends Homes, Inc.) Series 2003. The Series 2003 Bonds are outstanding in the amount of \$37,745,000. The Series 2011 Bonds will be purchased by Branch Banking and Trust Company as Non-Bank Qualified Bonds and will carry an interest rate of 78% of one month LIBOR plus 1.60% for the initial put period of ten years. The Series 2003 Bonds are currently backed by a letter of credit provided by Bank of America. The Project is in accordance with a preliminary application, plans and specifications and participation as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$38,000,000
Corporation Equity	<u>33,750</u>
Total Sources	\$38,033,750

ESTIMATED USES OF FUNDS

Amount to refund Series 2003 Bonds	37,745,000
Financial advisor	25,000
Accountants fee	5,000
Corporation counsel	20,000
Bond counsel	40,000
Local Government Commission fee	8,750
Bank commitment fee	117,300
Bank counsel	35,000
Appraisal and phase I environmental	7,700
Miscellaneous	<u>30,000</u>
Total	\$38,033,750

Tentative approval is given with the understanding that the governing board of Friends Homes, 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 | ✓ | Yes | _____ | No | _____ | N/A |
| 2. | Construction and related costs are reasonable | _____ | Yes | _____ | No | ✓ | N/A |

Information from 2010 Audit

Operating Income	\$1,287,136
Increase in unrestricted net assets	\$1,978,826
Increase in net assets	\$1,911,118
Net cash provided by operating activities	\$ 320,051
Net increase (decrease) in cash	\$ (435,213)

Long Term Debt Service Coverage Ratio

Actual FYE 2010	1.48
Projected FYE 2011	1.55
2012	1.26
2013	2.08
2014	1.97

GS 105 Percentages **5.129%**

Which qualifies for 100% property tax exemption

5. Adjournment

There being no further business, the meeting was adjourned at 11:30 a.m.

Respectfully submitted,

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

