

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**

APRIL 17, 2012

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
Albert F. Lockamy
Mary L. Piepenbring
Dr. Carl Rust

Members of the Executive Committee Absent:

None

Members of Staff Present:

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

Others Present:

Ken Durham, Local Government Commission
Allen Robertson, Robinson, Bradshaw & Hinson, P.A.
David Kasdin, Citigroup

1. Purpose of Meeting

To authorize the sale of bonds, the proceeds of which are to be loaned to FirstHealth of the Carolinas, Inc. and to discuss a request from Edward Jones to be on the May Medical Care Commission Agenda for a presentation on its underwriting / financing model.

2. Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$45,610,000 North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (FirstHealth of the Carolinas Project), Series 2012A (the "Bonds").

Executive Committee Action: A motion was made by Mr. Joe Crocker, seconded by Mr. Al Lockamy and unanimously approved with Mr. George Cecil 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, FirstHealth of the Carolinas, 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 to (1) refund all of the \$45,505,000 outstanding aggregate principal amount of the Commission's Health Care Facilities Revenue Bonds (FirstHealth of the Carolinas Project), Series 2009A (the "Refunded Bonds") and (2) pay, or reimburse the Corporation for paying, certain expenses incurred in connection with the issuance of the Bonds by the Commission; and

WHEREAS, the Commission has determined that the public will best be served by the proposed refunding and, by resolution adopted by the Commission on March 13, 2012, has approved the issuance of the Bonds (as defined below), 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 April 17, 2012 (the “Purchase Contract”), between the Local Government Commission of North Carolina and Citigroup Global Markets Inc. and the other underwriters named therein (the “Underwriters”) and approved by the Commission and the 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 April 1, 2012 (the “Trust Agreement”), 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 and includes the form of the Bonds;

(c) a Loan Agreement, dated as of April 1, 2012 (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 Master Indenture No. 21, dated as of April 1, 2012 (“Supplement No. 21”), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”) under the Second Amended and Restated Master Trust Indenture, dated as of February 1, 1998, between the Corporation and First Union National Bank, succeeded by The Bank of New York Mellon Trust Company, N.A., as master trustee, which includes the form of Master Obligation, Series 2012A, to be dated as of the date of delivery of the Bonds, to be issued by the Corporation to the Commission (“Master Obligation, Series 2012A”); and

(e) an Escrow Deposit Agreement dated as of April 1, 2012 (the “Escrow Agreement”), by and among the Commission, the Corporation and The Bank of New York Mellon Trust Company, N.A. as escrow agent;

(f) a Preliminary Official Statement of the Commission dated April 4, 2012 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. 21 and Master Obligation, Series 2012A; 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 Refunding Bonds (FirstHealth of the Carolinas Project), Series 2012A (the "Bonds"), in the aggregate principal amount of \$45,610,000. 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. The Bonds designated as Term Bonds shall be subject to the Sinking Fund Requirements set forth in Schedule 1 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 April 1 and October 1, beginning October 1, 2012, to and including October 1, 2039. 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, mandatory and extraordinary 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 for a loan to refund the Refunded 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, the Loan Agreement and the Escrow Agreement are hereby approved in all respects, and the Chairman or Vice Chairman (or any 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, the Loan Agreement 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 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 Contract are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) is hereby authorized and directed to execute and deliver the Purchase Contract 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 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 Supplement No. 21 and Master Obligation, Series 2012A are hereby approved in substantially the forms presented to this meeting, together with such changes, modifications and deletions as the Chairman or Vice Chairman (or any member of the Commission designated by the Chairman) and the 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 as provided in Section 5 of this Series Resolution 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 \$44,281,382.07 (representing the principal amount of the Bonds minus net original issue discount of \$907,529.50 and less underwriters' discount of \$421,088.43).

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, Secretary or any Assistant Secretary (or any member of the Commission designated by the Chairman) is 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 Escrow Agreement, the Master Indenture, Supplement No. 21 and Master Obligation, Series 2012A by the Underwriters in connection with such offer and sale.

Section 12. The Bank of New York Mellon Trust Company, N.A. 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 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, Secretary, and any Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) 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 Escrow Agreement, the Purchase Contract and the Official Statement.

Section 16. This Series Resolution shall take effect immediately upon its passage.

3. Edward Jones Request

The Executive Committee considered a request from Edward Jones, dated March 30, 2012 to be on the May 11, 2012 Medical Care Commission Meeting Agenda for a presentation on its underwriting / financing model. The Executive Committee concluded that a second presentation on this issue would be of no information and the Commission would continue with its established policy of equal treatment for all investment banking firms participating in a bond issue.

4. Adjournment

There being no further business, the meeting was adjourned at 11:25 a.m.

Respectfully submitted,

Christopher B. Taylor, CPA
Assistant Secretary

Maturity Schedule

\$1,825,000 Serial Bonds

| <u>Due October 1</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| 2012 | \$215,000 | 2% |
| 2013 | 85,000 | 2 |
| 2014 | 85,000 | 3 |
| 2015 | 45,000 | 3 |
| 2016 | 50,000 | 3 |
| 2017 | 50,000 | 3 |
| 2018 | 95,000 | 3 |
| 2019 | 85,000 | 4 |
| 2020 | 65,000 | 3 |
| 2021 | 55,000 | 4 |
| 2022 | 130,000 | 4 |
| 2023 | 110,000 | 3 |
| 2024 | 60,000 | 4 |
| 2025 | 65,000 | 4 |
| 2026 | 75,000 | 3.25 |
| 2027 | 70,000 | 3.50 |
| 2028 | 75,000 | 3.50 |
| 2029 | 125,000 | 3.50 |
| 2030 | 80,000 | 4 |
| 2031 | 80,000 | 4 |
| 2032 | 125,000 | 4 |

\$11,255,000 4% Term Bonds due October 1, 2034

| <u>Due October 1</u> | <u>Sinking Fund Requirement</u> |
|----------------------|---------------------------------|
| 2033 | \$5,510,000 |
| 2034 | 5,745,000 |

\$32,530,000 4% Term Bonds due October 1, 2039

| <u>Due October 1</u> | <u>Sinking Fund Requirement</u> |
|----------------------|---------------------------------|
| 2035 | \$5,985,000 |
| 2036 | 6,230,000 |
| 2037 | 6,495,000 |
| 2038 | 6,765,000 |
| 2039 | 7,055,000 |

Professional Fees Comparison for
FirstHealth of the Carolinas, Inc.

| <u>Professional</u> | Fees Estimated In Preliminary <u>Approval Resolution</u> | <u>Actual Fees</u> |
|---------------------|---|---|
| Underwriters | \$465,000 (including Underwriters' counsel of \$40,000) | \$421,088 (including Underwriters' counsel of \$40,000) |
| Accountants | 25,000 | 25,000 |
| Bond Counsel | 65,000 | 65,000 |
| Corporation Counsel | 33,000 | 33,000 |
| Financial advisor | 44,250 | 47,000 |