

**STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**MEDICAL CARE COMMISSION QUARTERLY MEETING
DIVISION OF HEALTH SERVICE REGULATION
801 BIGGS DRIVE, RALEIGH NC 27603**

BROWN BUILDING CONFERENCE ROOM- 104

May 11, 2012

9:00 A.M.

I. MEDICAL CARE COMMISSION QUARTERLY MEETING

MEMBERS PRESENT	MEMBERS ABSENT
Lucy H. Bode, Chairperson Joseph D. Crocker, Vice-Chairperson George H.V. Cecil Charles T. Frock Elizabeth Kanof, M.D. Eileen Kugler, RN, MSN, MPH, FNP Albert F. Lockamy, Jr., RPh James H. Leonard Mary L. Piepenbring Robert E. Schaaf, M.D. Carl K. Rust, M.D. George A. Binder, M.D. John Fagg, M.D. Henry A. Unger, M.D. <u>DIVISION OF HEALTH SERVICE REGULATION STAFF</u> Drexdal Pratt, Director, DHSR/Secretary, MCC Christopher B. Taylor, CPA, Assistant Secretary, MCC Steven Lewis, Chief, Construction Section, DHSR Diana Barbry, Executive Assistant, MCC/DHSR Megan Lamphere, Rules Coordinator, DHSR Kathy Larrison, Auditor, MCC/DHSR Crystal Watson-Abbott, Auditor, MCC/DHSR Alice Creech, Bond Program Assistant, MCC/DHSR	Gerald P. Cox Margaret Weller-Stargell

II. CHAIRPERSON’S COMMENTS

Ms. Bode welcomed everybody to the meeting and requested that the members of the audience introduced themselves to the members. She then questioned the members to see if anyone had a conflict of interest with anything coming before the Commission at the meeting. Ms. Bode reminded the members that in accordance with Advisory Opinion dated November 19, 2010 any Commission member with \$10,000 or more invested in a particular bank would need to abstain from voting on a project, in which the bank was involved. It was decided that the recusals would be done at the time each project was presented for a vote.

III. APPROVAL OF MINUTES from the November 18, 2011 meeting. **(Exhibit A).**

Commission Action: Motion was made by Mr. Cecil, seconded by Mr. Leonard and unanimously approved.

IV. DIVISION DIRECTOR'S REPORT

Mr. Pratt reported on matters of interest to the Commission, he gave a brief overview of the current DHSR projects.

Other items to report on are listed below (see **Exhibits B – B/7**):

1. Quarterly Report on Bond Program **(Exhibit B)**
2. Underwriter Fees **(attached as Exhibit B/1)**
3. Bond Counsel Fees **(attached as Exhibit B/2)**

The Executive Committee held telephone conference meetings on the following dates:

January 26, 2012 - To authorize the execution and delivery of First Supplemental Trust Agreements for the 2009D Bonds and 2010 Bonds issued for the benefit of FirstHealth of the Carolinas, Inc. **(Exhibit B/3)**

February 28, 2012 – To authorize approval to a project for Duke University Health System, Inc. to provide funds, to be used together with other available funds, to effect a conversion of the North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds Series 2005A Bonds to a Bank-Bought mode, (2) To authorize the financing of certain health care equipment for the benefit of Duke University Health System, Inc. pursuant to a master lease and sublease agreement, (3) To authorize amendments to the Duke University Health System Series 2005B and 2005C Bonds to add Index Floating Rate and Bank-Bought Index Floating Rate modes. **(Exhibit B/4)**

March 13, 2012 - To consider a refunding of the Series 2002 Bonds for FirstHealth of the Carolinas, (2) to consider a refunding for the Series 2009A Bonds for FirstHealth of the Carolinas, (3) to refund the Series 1998A and the Series 2008C and the 2008E Bonds for Vidant Health, (4) a resolution in connection with the defeasance of the North Carolina Medical Care Commission Health Care Facility Revenue Bonds (Providence Place Retirement Community Nursing Home Project), Series 2001A, (5) to approve the conversion of the Commission's Health Care Facilities Revenue Refunding Bonds (Duke University Health System) Series 2005A to a "Bank-Bought Index Floating Rate", and (6) to authorize the sale of bonds, the proceeds of which are to be loaned to Carolina Adventist Retirement Systems, Inc. **(Exhibit B/5)**

April 17, 2012 - 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. **(Exhibit B/6)**

April 24, 2012 - To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to University Health Systems of Eastern Carolina, Inc. d/b/a Vidant Health and Pitt County Memorial Hospital, Incorporated d/b/a Vidant Medical Center and to consider granting preliminary approval to refunding bond issues for Southeastern Regional Medical Center, WakeMed and Wayne Memorial Hospital. **(Exhibit B/7)**

Presentation

**Social Accountability.....Patricia Sprigg, President & CEO
Carol Woods Retirement Community**

V. Old Business

**EMS Rules.....Exhibit C & C/1
Megan Lamphere**

Commission Action: Motion was made by Dr. Unger, seconded by Mr. Crocker and unanimously approved. *(The Commission approved the rules and fiscal notes for the adoption of OEMS rule 10A NCAC 13P .0221 and the amendment of rule .0511. This approval allows the rules to move forward in the rulemaking process.)*

**Nursing Home Rules.....Exhibit D
Megan Lamphere**

Commission Action: Motion was made by Dr. Unger, seconded by Mr. Crocker and unanimously approved. *(The Commission approved the rules and fiscal note for the amendment of Nursing Home Licensure & Certification rules 10A NCAC 13D .2101,.2209, .2304, .2308, .2605, .2606, .2607, .2701 and the repeal of rule .2110. This approval allows the rules to move forward in the rulemaking process.)*

VI. New Business

Approval of Sale of Bonds for Wayne Memorial HospitalChris Taylor

Commission Action: Motion was made by Mr. Crocker, seconded by Mr. Lockamy and approved with the recusal of Dr. Rust and Dr. Schaaf.

**SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF
\$23,290,000 NORTH CAROLINA MEDICAL CARE COMMISSION
HOSPITAL REVENUE REFUNDING BONDS
(WAYNE MEMORIAL HOSPITAL), SERIES 2012**

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 Wayne Health Corporation (the “Corporation”) and Wayne Memorial Hospital, Inc. (the “Hospital”) 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 Corporation owns and the Hospital operates health care facilities located in Goldsboro, North Carolina;

WHEREAS, the Commission has heretofore issued its Hospital Revenue Refunding Bonds (Wayne Memorial Hospital), Series 1998 (the “Series 1998 Bonds”), the proceeds of which have heretofore been loaned to the Hospital and the Corporation pursuant to a Loan Agreement, dated as of September 15, 1998, by and among the Commission, the Hospital and the Corporation;

WHEREAS, the Corporation and the Hospital have made an application to the Commission for a loan for the purpose of providing funds, together with other available funds, to refund the Series 1998 Bonds;

WHEREAS, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted by the Executive Committee of the Commission on April 24, 2012, has approved the issuance of the Bonds (as hereinafter defined), subject to compliance by the Corporation and the Hospital with the conditions set forth in such resolution, and the Corporation and the Hospital 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 the date of sale of the Bonds (the “Contract of Purchase”), by and between the Local Government Commission of North Carolina (the “Local Government Commission”) and PNC Bank, National Association (the “Bank”), and approved by the Commission, the Corporation and the Hospital;

(b) the Supplemental Indenture for Obligation No. 6, to be dated as of July 1, 2012 or such other date as shall be agreed upon by the parties thereto (“Supplemental Indenture No. 6”), by and among the Corporation, the Hospital and Branch Banking and Trust Company, as master trustee (the “Master Trustee”), supplementing the Master Trust Indenture, dated as of September 15, 1998 (the “Master Indenture”), by and among the Corporation, the Hospital and the Master Trustee;

(c) the Trust Agreement, to be dated as of July 1, 2012 or such other date as shall be agreed upon by the parties thereto (the “Trust Agreement”), by and between the Commission and Branch Banking and Trust Company, as bond trustee (the “Bond Trustee”), the provisions of which relate to the issuance of and security for the Bonds;

(d) the Loan Agreement, to be dated as of July 1, 2012 or such other date as shall be agreed upon by the parties thereto (the “Loan Agreement”), by and among the Corporation, the Hospital and the Commission, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation and the Hospital; and

(e) Obligation No. 6 of the Corporation and the Hospital, to be dated the date of its delivery (“Obligation No. 6”), to be issued by the Corporation and the Hospital to the Commission;

WHEREAS, the Commission has determined that, taking into account historical financial performance and financial forecasts internally generated by the Corporation and the Hospital, the Corporation and the Hospital are financially responsible and capable of fulfilling their obligations under the Loan Agreement, Obligation No. 6 and Supplemental Indenture No. 6; 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 and the Hospital, 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 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 (Wayne Memorial Hospital), Series 2012 in the aggregate principal amount of \$23,290,000 (the “Bonds”) dated as of their original date of issuance and having a final stated maturity date of October 1, 2021.

The Bonds shall be issued as fully registered bonds in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. The Bonds shall bear interest until their payment, such interest to the maturity thereof being payable at the rate of 2.24% per annum. Interest on the Bonds shall be payable on each Interest Payment Date as provided in the Trust Agreement.

Section 3. The Bonds shall be subject to mandatory, extraordinary and optional redemption at the times, upon the terms and conditions, and at the prices set forth in the Trust Agreement. The mandatory sinking fund requirements for the Bonds are set forth in Schedule 1 attached to this Series Resolution.

Section 4. The proceeds of the Bonds shall be applied as provided in Section 208 of the Trust Agreement.

The Commission hereby finds that the use of the proceeds of the Bonds for the purpose described in the preamble to this Series Resolution 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 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 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 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. 6 and Obligation

No. 6 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. 6 and Obligation No. 6.

Section 9. The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Bank at a purchase price of \$23,290,000 (representing the aggregate 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, Supplemental Indenture No. 6, Obligation No. 6 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 Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman of the Commission for such purpose, the Secretary of the Commission 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 Trust Agreement, the Loan Agreement, the Contract of Purchase, the Master Indenture, Supplemental Indenture No. 6 and Obligation No. 6.

Section 13. A comparison of the professional fees as set forth in the resolution adopted by the Executive Committee of 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 2.

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

Schedule 1
Sinking Fund Requirements

<u>Year</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>
2012	\$1,845,000
2013	1,945,000
2014	2,045,000
2015	2,145,000
2016	2,255,000
2017	2,365,000
2018	2,480,000
2019	2,605,000
2020	2,735,000
2021*	2,870,000

* Maturity

Schedule 2
Professional Fees

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Financial Advisor	\$75,000	\$75,000
Corporation Counsel	\$50,000	\$50,000
Bond Counsel	\$50,000	\$48,000
Bank Counsel	\$25,000	\$15,000

Executive Order 70 – Rules Improvement Modification Program Update.... Megan Lamphere
Ms. Lamphere, DHSR Rule-making Coordinator, reported to the Commission on the status of the Division’s existing rule reviews in accordance with the Governor’s Executive Order 70– Rules Improvement Modification Program. Ms. Lamphere reported that each Section has conducted annual reviews of existing rules with their stakeholders and she provided an update of those reviews. Sections are in various stages of the rulemaking process with those rules that have been identified during the reviews as being outdated, burdensome, unnecessary, or otherwise inconsistent with the goals of the Executive Order 70.

EMS Rules.....Exhibit E
Megan Lamphere

Commission Action: Motion was made by Dr. Binder, seconded by Dr. Schaaf and unanimously approved. *(The Commission approved the rules and fiscal notes for the adoption of OEMS rules 10A NCAC 13P .1501, .1502, .1503, .1504, .1505, .1506, .1507, .1508, .1509 and the repeal of rules .0701 and .0702. This approval allows the rules to move forward in the rulemaking process.)*

Nursing Home Rules.....Exhibit F
Megan Lamphere

Commission Action: Motion was made by Ms. Kugler, seconded by Dr. Schaaf and unanimously approved. *(The Commission approved the rules and fiscal note for the amendment of Nursing Home Licensure & Certification rules 10A NCAC 13D .2105, .2106, .2107, .2202, .2203, .2210, .2301, .2303, .2306, .2604, and repeal of rules .3001, .3002, .3011-.3016, .3021-.3030, and .3033. This approval allows the rules to move forward in the rulemaking process.)*

Division Director Rules.....Exhibit G
Megan Lamphere

Commission Action: Motion was made by Mr. Cecil, seconded by Ms. Kugler and unanimously approved. *(The Commission approved the rules and fiscal note for the amendment of the DHSR Division Director rules 10A NCAC 14A .0303 and .0304. This approval allows the rules to move forward in the rulemaking process.)*

Wake EMS Reimbursement Update.....Mary Piepenbring

VII. Bond Projects

1. Duke University Health System, Durham - Christopher B. Taylor and Steven C. Lewis

Statements were given by Robert Willis and Ken Morris of Duke University Health System.

Commission Action: Motion was made by Mr. Crocker, seconded by Mr. Cecil and approved with the recusal of Dr. Schaaf, Mr. Leonard and Ms. Bode.

Resolved: The Commission grants preliminary approval to a project for Duke University Health System for the construction of a \$534,400,000 DUH Major Hospital addition/Duke Medicine Pavilion (DMP) at Duke University Hospital for which application was previously made and debt totaling \$120,000,000 issued in April 2010. The construction consists of a 627,000 sq ft foot tertiary care addition including four 24 intensive care bed units, two 32 intermediate /step-down bed units, 16 operating rooms, expanding imaging facilities, the relocation /modernization of the Gastroenterology

and Bronchoscope Suites and patient/family oriented amenities and 29,000 sq ft renovation to DUH, road improvements and parking projects. All in accordance with a preliminary application, plans and specifications and participation as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$300,000,000
Interest earned during construction	623,055
2010A Bonds and Interest on Construction Fund	119,691,021
Equity Contribution	125,016,537
Bond Premium	<u>24,286,593</u>
Total	\$569,617,206

ESTIMATED USES OF FUNDS

Site costs	
Site utility development and accessibility costs	\$7,436,000
Construction contracts	329,964,000
Construction contingency (5% of construction contract)	17,000,000
Architect/engineer fees and reimbursables	29,000,000
Moveable equipment	144,000,000
Surveys, tests, insurance	6,000,000
Consultants' fees related to construction	1,000,000
Bond interest during construction	32,413,190
Underwriters' discount (\$6.67 per \$1,000 bonds)	2,000,766
Accountants fees	66,000
Legal fees for Hospital counsel	60,000
Bond counsel	125,000
Rating agencies	343,500
Trustee fees	7,000
Printing costs	3,000
Local Government Commission reimbursables	8,750
Underwriter's Counsel	85,000
Financial Advisor Fee and Expenses	<u>105,000</u>
Total	\$569,617,206

Tentative approval is given with the understanding that the governing board of Duke University Health System 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 or conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance or 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 or conversion of bonds for this project and may approve the issuance or conversion 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 or 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.
7. The borrower will provide the Commission annually a copy of the Advocacy Needs Data Initiative (ANDI) form it files with the North Carolina Hospital Association (NCHA) in accordance with a resolution passed by the Commission on February 9, 2007 adopting the NCHA Community Benefits reporting format and methodology for hospitals reporting to the Commission.
8. All health care facilities and services directly or indirectly owned or controlled by the health care organization, including physician practices, shall be available to Medicare and Medicaid patients with no limitations imposed as a result of the source of reimbursement.
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 the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.

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 |

Notes:

1) Information from Audited Financials FYE 6/30/2011

Operating Income	\$189,467,000
Increase in unrestricted Net Assets	\$584,932,000
Increase in Net Assets	\$583,000,000
Net Cash provided by Operating Activities	\$292,998,000
Net increase (decrease) in Cash and Cash Equivalents	\$139,108,000

2) Long Term Debt Service Coverage Ratios

Actual FYE 6/30/2011	7.8
Forecasted 9/30/2012	6.51
9/30/2013	6.23
9/30/2014	6.09

3) Community Benefits per ANDI Report FYE 2011	\$300,524,901
Bad Debts	<u>23,010,938</u>
Total	\$323,535,839

- 4) Bond Ratings
 Moody's - Aa2
 Standard & Poor's - AA
 Fitch - AA

- 5) Financing Participants
 Underwriter- Senior Manager/JP Morgan Chase
 Bond Counsel – Robinson Bradshaw &Hinson, PA

2. Carol Woods Retirement Community, Chapel Hill - Kathy Larrison & Steven Lewis

Statements were given by Ken Reeb, CFO of Carol Woods

Commission Action: Motion was made by Dr. Binder, seconded by Mr. Cecil and approved with the recusal of Dr. Rust, Dr. Fagg and Mr. Leonard

Resolved: The Commission grants preliminary approval for the issuance of variable rate Non-Bank Qualified bonds for the following Carol Woods projects: (1) constructing a 4-story wing to an existing apartment building adding 18 additional independent living apartments, a class room for resident and staff learning, and an expanded art studio for residents, (2) expanding an existing nursing facility to include more space for rehabilitation services, an all-season enclosure to a 2nd floor patio for nursing residents and an expanded employee café, while upgrading old chillers, HVAC, automated building system controls, the nurse call system and acoustical tiles throughout, (3) expanding an existing licensed adult care home on campus to add 6 additional private rooms, expand the residents dining, beauty salon and other spaces, and upgrade to the old chillers, boilers and building automation system, (4) constructing a new fitness center connected to an existing indoor aquatic center to include room for fitness equipment and aerobic rooms suitable to seniors, (5) expanding an existing resident library and resident craft building, (6) upgrading the serving lines and seating areas in the main residential dining room to provide more efficient traffic flow and more resident seating, (7) upgrading the front entrance of the main building for more protection from the elements, (8) renovating and furnishing independent living units in the existing facilities on the campus upon turnover to new residents, (9) acquiring and installing movable equipment, fixtures, elevators and furnishings for use in the existing facilities on the campus, and (10) performing routine capital improvements to and renovating the existing facilities on the campus. The cost of the projects, capitalized interest during the construction period, and certain expenses incurred in connection with the authorization and issuance of the bonds will be paid in accordance with a preliminary application, plans and specifications, and participation as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$22,000,000
Equity from Carol Woods	<u>270,000</u>
Total	\$22,270,000

ESTIMATED USES OF FUNDS

Site utility development and accessibility costs

	\$2,107,000
Construction contracts	15,443,073
(1) Expand Rehab & Café Space in Nursing Facility	(\$1,028,000)
(2) Expand Adult Care Home Facility (\$1,296,900)	
(3) 18-Apartment Wing Addition (\$5,629,700)	
(4) Fitness Center Expansion (\$2,063,700)	
(5) Library & Craft Shop Expansions (\$517,300)	
(6) Front Entrance & Bio-Retention Pond Upgrades (\$173,800)	
(7) Refurbish Main Dining Room (\$283,600)	
(8) Upgrades to Chillers, Boilers, Controls in Nursing Facility (\$397,870)	
(9) Upgrade Nurse Call System in Nursing Facility (\$53,000)	
(10) Power Ventilate Attic Space in Adult Care Homes (\$40,000)	
(11) Exhaust Fan Upgrades in Main & Nursing Kitchens (\$11,900)	
(12) Capital Maintenance Projects (\$3,947,303)	
Construction contingency (~1% of construction contract)	154,431
Architect/Engineer fees & reimbursables	1,196,678
Moveable equipment	1,467,179
Surveys, tests & insurance	205,100
Consultant fees related to construction:	
(1) Utility Mapping & Pool Structural Analysis	29,625
(2) Campus Master Planning	82,681
Internal cost of Master Planning	137,694
Bond interest during construction	1,075,458
Placement fee	90,000
Feasibility fees	50,000
Accountants fees	10,000
Trustee fees	10,000
Bank Commitment fee	56,081
Corporation Counsel	25,000
Bond Counsel	45,000
Bank Counsel	30,000
DHSR reimbursables (G.S 131E-267)	200,000
Local Government Commission fee	8,750
Title/Real Estate	20,000
Miscellaneous	6,250
Total	\$22,270,000

Tentative approval is given with the understanding that the governing board of Carol Woods 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 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

Notes:

(A) Selected audited information from Fiscal Year ending 12/31/2011:

1. Operating Income (Loss)	(\$132,358)
2. Increase (Decrease) in Unrestricted Net Assets	(\$7,274,108)
3. Increase (Decrease) in Net Assets	(\$7,257,980)
4. Net Cash Provided by Operating Activities	\$2,092,165
5. Increase (Decrease) in Cash and Cash Equivalents	\$47,169

(B) Long Term Debt Service Coverage Ratio

1. Audited 12/31/2011	1.63
2. Forecasted 12/31/2012	2.11
3. Forecasted 12/31/2013	2.74
4. Forecasted 12/31/2014	1.92
5. Forecasted 12/31/2015	1.97
6. Forecasted 12/31/2016	2.00

(C) Current Rating- S&P A

(D) Community Benefits Percentage under GS-105

1. Actual 12/31/2010	5.6%
2. Actual 12/31/2011	(not yet available but expected to exceed 5%)

(E) Financing Participants

1. Bond Counsel
2. Placement Agent
3. Bond Purchaser

McGuire Woods
BB&T Capital Markets
First Tennessee

3. RESOLUTION OF THE NORTH CAROLINA MEDICAL CARE COMMISSION APPROVING THE DEFEASANCE OF THE NORTH CAROLINA MEDICAL CARE COMMISSION FHA INSURED MORTGAGE REVENUE BONDS (ROWAN REGIONAL MEDICAL CENTER PROJECT), SERIES 2004 AND CERTAIN MATTERS RELATED THERETO

Commission Action: Motion was made by Mr. Frock, seconded by Ms. Kugler and unanimously approved.

WHEREAS, the North Carolina Medical Care Commission (the “Commission”) has heretofore issued, pursuant to a Trust Indenture, dated as of August 1, 2004 (the “Trust Indenture”), between the Commission and The Bank of New York, as trustee (the “Bond Trustee”), its \$87,125,000 FHA Insured Mortgage Revenue Bonds (Rowan Regional Medical Center Project), Series 2004 (the “2004 Bonds”), for the purpose of (a) repaying a loan from the North Carolina Medical Care Commission Hospital Revenue Bonds (Pooled Equipment Financing Project), Series 1985 and repaying a loan from the North Carolina Medical Care Commission Variable Rate Hospital Revenue Bonds (Pooled Financing Project), Series 1996A, (b) paying the costs of certain improvements to the health care facilities of Rowan Regional Medical Center, Inc. (the “Corporation”), (c) paying a portion of the interest accruing on the Bonds during construction thereof, (d) funding the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement (as such terms are defined in the Trust Indenture) and (e) paying certain expenses incurred in connection with the authorization, sale and issuance of the 2004 Bonds; and

WHEREAS, the Commission has heretofore loaned the proceeds of the 2004 Bonds to the Corporation pursuant to a Loan Agreement, dated as of August 1, 2004 (the “Loan Agreement”), between the Corporation and the Commission, and the Corporation’s obligations thereunder are evidenced by a Deed of Trust Note, dated as of August 18, 2004 (the “2004 Note”), from the Corporation to the Bond Trustee; and

WHEREAS, the Corporation’s obligations under the Series 2004 Note are secured by a Deed of Trust and Assignment of Rents, Profits and Income, dated August 17, 2004 (the “Mortgage”), executed by the Corporation and granting to a deed of trust trustee named therein, for the benefit of the Bond Trustee, a first lien on certain real property of the Corporation; and

WHEREAS, the United States Secretary of Housing and Urban Development, acting through the Federal Housing Commissioner or his authorized agents (“FHA”), has insured the 2004 Note and the Mortgage pursuant to Section 242 of the National Housing Act, as amended; and

WHEREAS, the Corporation desires to defease and cause to be prepaid the 2004 Note by causing all of the outstanding 2004 Bonds to be defeased in accordance with Section 1101 of the Trust Indenture; and

WHEREAS, the Corporation also desires to cause the outstanding 2004 Bonds maturing on or after March 1, 2015 to be called for optional redemption by the Commission on September 1, 2014 at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed, plus accrued interest to the redemption date pursuant to Section 501(a) the Trust Indenture; and

WHEREAS, the amounts to be used to defease the outstanding 2004 Bonds as described above shall be derived from certain proceeds of the 2004 Bonds and other amounts held in various

funds and accounts established under the Trust Indenture, together with other available funds of the Corporation (including funds received from Novant Health, Inc.); and

WHEREAS, in connection with such defeasance transaction, it will be necessary for the Commission to enter into an Escrow Deposit Agreement, to be dated as of July 1, 2012 or some other mutually agreeable date (the "Escrow Agreement"), among the Commission, the Corporation and The Bank of New York, as escrow agent (the "Escrow Agent"), pursuant to which an escrow fund composed of non-callable federal securities and/or cash shall be held in trust for the timely payment of principal or redemption price of and interest on all of the outstanding when the same becomes due and payable; and

WHEREAS, there has been presented at this meeting a draft of the Escrow Agreement; and

WHEREAS, the Commission has determined that the Corporation and Novant Health, Inc. are financially responsible and capable of fulfilling their obligations under the proposed transaction; and

WHEREAS, the Commission has determined that the public interest will be served by the defeasance and prepayment of the 2004 Note by causing all of the 2004 Bonds to be defeased and to take such other actions as may be necessary or appropriate in connection therewith;

NOW, THEREFORE, BE IT RESOLVED by the Commission as follows:

Section 1. The form, terms and provisions of the Escrow Agreement are hereby authorized and approved in all respects, and each of the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman for such purpose and the Secretary or any Assistant Secretary of the Commission (the "Authorized Officers") are each hereby authorized to execute and deliver on behalf of the Commission the Escrow Agreement in substantially the form presented at this meeting, together with such additions, deletions or other modifications not inconsistent with the general tenor of said document as the Authorized Officer executing such document, with the advice of counsel, may deem necessary or appropriate, such execution and delivery to be conclusive evidence of the authorization and approval thereof by the Commission.

Section 2. The Authorized Officers are hereby authorized and directed to take such action and to execute and deliver any certificates, undertakings, agreements or other instruments as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by this resolution and the documents described in this resolution, including, without limitation, such actions as may be necessary to defease and redeem the 2004 Bonds, provided such actions are not inconsistent with the provisions of this resolution.

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

ADOPTED the 11th day of May, 2012

Respectfully submitted,

Christopher B. Taylor, CPA
Assistant Secretary

VIII. Refunding of Commission Bond Issues

Recommended:.....Chris Taylor

WHEREAS, the bond market is in a period of generally fluctuating interest rates, and

WHEREAS, in the event of decline of rates during the next quarter, refunding of certain projects could result in significant savings in interest expense thereby reducing the cost of health care to patients, and

WHEREAS, the Commission will not meet again until August 10, 2012

THEREFORE, BE IT RESOLVED; that the Commission authorizes its Executive Committee to approve projects involving only the refunding of existing Commission debt between this date and August 10, 2012.

Commission Action: Motion was made by Dr. Unger, seconded by Mr. Lockamy and unanimously approved.

XIII. Questions from the Public – The Commission will receive questions from the public.

XIV. ADJOURNMENT - A motion to adjourn is requested.

Commission Action: Motion was made by Mr. Cecil, seconded by Ms. Kugler and unanimously approved.

THE MEETING ADJOURNED AROUND 12:40 P.M.

**Drexal Pratt
Secretary**

Date