

NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

**The North Carolina Medical Care Commission
809 Ruggles Drive
Raleigh, North Carolina 27603**

MINUTES

**CALLED MEETING OF THE EXECUTIVE COMMITTEE
CONFERENCE TELEPHONE MEETING ORIGINATING
FROM THE COMMISSION'S OFFICE**

June 7, 2012

2:00 P.M.

Members of the Executive Committee Present:

Joseph D. Crocker, Vice-Chairman
George H.V. Cecil
Albert F. Lockamy
Dr. Carl K. Rust

Members of the Executive Committee Absent:

Lucy Hancock Bode, Chairman
Dr. George A. Binder
Mary L. Piepenbring

Members of Staff Present:

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

Others Present:

Jeffrey D. Newhams, Bank of America Merrill Lynch
Kristine Flynn, Hawkins Delafield & Wood
Steve Donovan, Hawkins Delafield & Wood
Randal Schultz, Catholic Health East

Executive Committee Minutes
June 7, 2012

1. Purpose of Meeting

To authorize the sale of bonds, the proceeds of which are to be loaned to Catholic Health East.

2. Resolution of the North Carolina Medical Care Commission Authorizing the Issuance of \$17,110,000 North Carolina Medical Care Commission Health System Revenue Bonds, Catholic Health East Issue, Series 2012A (the “Bonds”) – Remarks were made by Jeffrey Newhams and Kristine Flynn.

Executive Committee Action: A motion was made by Mr. George Cecil, seconded by Dr. Carl Rust 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 (including retirement facilities) and to refund bonds previously issued by the Commission; and

WHEREAS, Catholic Health East (the “Corporation”) is a Pennsylvania not-for-profit corporation and is the sole member of Saint Joseph of the Pines, Inc. (the “Project User”), a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina, and the Corporation and the Project User are each 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, together with other available funds, to (1) refund the Commission’s outstanding Health System Revenue Bonds, Catholic Health East Issue, Series 1998C (the “1998C Bonds”), and (2) pay certain expenses incurred in connection with the issuance of the Bonds (as defined below) by the Commission. The proceeds of the 1998C Bonds were used for the purpose of providing funds to finance and refinance the costs of (a) the acquisition, construction and improvement of the Project User’s facilities, including the primary continuing care retirement community and campus thereof and medical and related equipment thereon and ancillary facilities related thereto, and (b) paying costs of issuance with respect to the 1998C Bonds; and

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 May 24, 2012, has granted preliminary approval to the issuance of the Bonds, 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 June 7, 2012 (the “Purchase Agreement”), between the Local Government Commission of North Carolina and Merrill Lynch, Pierce, Fenner & Smith Incorporated, doing business as BofA Merrill Lynch, as Representative of the 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 Bond Indenture (as defined below);

(b) a Bond Indenture, dated as of June 1, 2012 (the “Bond Indenture”), 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 June 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) the Supplemental Master Trust Indenture No. 139, dated as of June 1, 2012 (the “Supplement”), between the Corporation, the Project User and the other members of the Obligated Group thereunder (collectively, the “Obligated Group”) and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”) issued pursuant to the Master Trust Indenture, dated as of January 1, 1998, as amended and restated as of September 30, 2006 (as so amended, restated and supplemented, the “Master Indenture”), between the Corporation and the Master Trustee;

(e) the Series 2012A Note No. 139, dated as of June 1, 2012, to be issued by the Obligated Group to the Commission (the “Series 2012 Note”); and

(f) a Preliminary Official Statement, dated May 30, 2012 (the “Preliminary Official Statement”), relating to the Bonds; 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, the Supplement and Series 2012 Note; 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 Bond Indenture 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 System Revenue

Bonds, Catholic Health East Issue, Series 2012A (the “Bonds”), in the aggregate principal amount of \$17,110,000. 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 shall be issued as fully registered bonds, in the denominations of \$5,000 and integral multiples thereof. The Bonds shall be issuable in book-entry form as provided in the Bond Indenture. Interest on the Bonds shall be paid on each Interest Payment Date as set forth in the Bond Indenture. 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 Bond Indenture.

Section 3. The Bonds shall be subject to optional, extraordinary and mandatory redemption, at the times, upon the terms and conditions, and at the prices set forth in the Bond Indenture.

Section 4. The proceeds of the Bonds shall be applied as provided in Section 5.02 of the Bond Indenture. The Commission hereby finds that the use of the proceeds of the Bonds for a loan to (a) refund the outstanding 1998C Bonds, and (b) pay certain costs of issuing the Bonds will accomplish the public purposes set forth in the Act.

Section 5. The forms, terms and provisions of the Bond Indenture and the Loan 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 Bond Indenture and the Loan 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 Agreement 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 Agreement 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 Bond Indenture 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 Bond Indenture, 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 Supplement and the Series 2012 Note 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 Bond Indenture 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 \$17,910,760.65 (representing the principal amount of the Bonds, plus net original issue premium of \$927,064.65, and less underwriters' discount of \$126,304.00).

Section 10. Upon their execution in the form and manner set forth in the Bond Indenture, 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 the Bond Indenture, 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 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, optional redemption provisions and interest rates 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 presented to this meeting, 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 Preliminary Official Statement, the Official Statement, the Bond Indenture, the Loan Agreement, the Master Indenture, the Supplement, and the Series 2012 Note by the Underwriters in connection with such 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. Drexal Pratt, Secretary of the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary of the Commission and Kathy Larrison, Auditor for 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, including, but not limited to, a Tax Regulatory Agreement dated the date of delivery of the Bonds, among the Commission, the Corporation and the Project User as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by the Bond Indenture, the Loan Agreement, the Purchase Agreement and the Official Statement.

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

3. Adjournment

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

Respectfully submitted,

Christopher B. Taylor, CPA
Assistant Secretary

Maturity Schedule

| <u>Maturity Date</u> <u>November 15,</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> |
|---|----------------------|-----------------------------|---------------------|---------------------|
| 2021 | \$1,800,000 | 4.00% | 3.150% | 106.856% |
| 2022 | 1,870,000 | 5.25 | 3.300* | 108.724 |
| 2023 | 1,970,000 | 5.25 | 3.430* | 108.115 |
| 2024 | 2,075,000 | 5.25 | 3.570* | 107.463 |
| 2025 | 2,180,000 | 5.25 | 3.670* | 107.001 |
| 2026 | 2,295,000 | 5.00 | 3.740** | 110.326 |
| 2027 | 2,410,000 | 4.00 | 4.070 | 99.201 |
| 2028 | 2,510,000 | 4.00 | 4.150 | 98.225 |

* Yield to the May 15, 2017 optional redemption date.

** Yield to the May 15, 2022 optional redemption date.

Schedule 2

| | <u>Preliminary Approval</u> | <u>Actual Pricing</u> |
|------------------------|-----------------------------|-----------------------|
| Underwriters' Discount | 122,664 | 126,304.00 |
| Corporation Counsel | 15,000 | 9,868.68 |
| Bond Counsel | 30,000 | 24,314.14 |
| Financial Advisor | 15,000 | 8,581.46 |
| Accountant's Fee | 10,000 | 8,581.46 |