

**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**

**JULY 12, 2012**

**11:00 A.M.**

**Members of the Executive Committee Present:**

Lucy Hancock Bode, Chairman  
Dr. George Binder  
George H.V. Cecil  
Albert F. Lockamy  
Mary L. Piepenbring  
Dr. Carl Rust

**Members of the Executive Committee Absent:**

Joseph D. Crocker, Vice-Chairman

**Members of Staff Present:**

Drexdal R. Pratt, DHSR Director/MCC Secretary  
Christopher B. Taylor, CPA, Assistant Secretary

**Others Present:**

Kevin Dougherty, McGuire Woods, LLP  
Jon Mize, Womble Carlyle Sandridge & Rice, PLLC  
Allen Robertson, Robinson, Bradshaw & Hinson, P.A.

**1. Purpose of Meeting**

To consider a resolution approving two substitute Letters of Credit and the appointment of a successor Remarketing Agent for bonds, the proceeds of which were loaned to Gaston Memorial Hospital, Incorporated, CaroMont Health Services, Inc. and CaroMont Health Inc., and authorizing and approving certain amendments to the Amended and Restated Trust Agreement pursuant to which such bonds were issued and the Loan Agreement relating thereto.

**2. SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF UP TO \$22,000,000 NORTH CAROLINA MEDICAL CARE COMMISSION HEALTH CARE FACILITIES FIRST MORTGAGE REVENUE BONDS (CAROL WOODS PROJECT), SERIES 2012 – Remarks were made by Mr. Kevin Dougherty**

**Executive Committee Action:** A motion was made by Mr. George Cecil, seconded by Mr. Al Lockamy, 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**, The Chapel Hill Residential Retirement Center, Inc. (the “Corporation”) is a North Carolina nonprofit corporation and a “non-profit agency” within the meaning and intent of the Act, which owns and operates a continuing care retirement facility for the elderly in Chapel Hill, North Carolina; and

**WHEREAS**, the Corporation has made an application to the Commission for a loan for the purpose of providing funds, together with other available funds, to (i) pay, or reimburse the Corporation for paying, the cost of the Project (as defined in the hereinafter-mentioned Loan Agreement) and (ii) pay certain expenses incurred in connection with the authorization and issuance of the Bonds (as hereinafter defined); and

**WHEREAS**, the Commission has determined that the public will best be served by the proposed financing and, by a resolution adopted on May 11, 2012, has approved 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) the Contract of Purchase, to be dated July 18, 2012 or such other date as shall be agreed upon by the parties thereto (the “Contract of Purchase”), by and between the Local Government Commission of North Carolina (the “Local Government Commission”) and

First Tennessee Bank National Association (the “Bank”), and approved by the Commission and the Corporation;

(b) 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 between the Corporation and the Commission, pursuant to which the Commission will lend the proceeds of the Bonds to the Corporation;

(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 The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”), securing the Bonds;

(d) the Credit Agreement, to be dated as of July 1, 2012 or such date as shall be agreed upon by the parties thereto (the “Credit Agreement”), by and between the Corporation and the Bank;

(e) 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 (“Supplement No. 6”), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”), supplementing the Amended and Restated Master Trust Indenture, dated as of October 1, 2010 (the “Master Indenture”), by and between the Corporation and the Master Trustee;

(f) Obligation No. 6, to be dated the date of its issuance (“Obligation No. 6”), to be issued by the Corporation to the Commission and assigned by the Commission to the Bond Trustee;

(g) Supplemental Indenture for Obligation No. 7, to be dated as of July 1, 2012 or such other date as shall be agreed upon by the parties thereto (“Supplement No. 7”), by and between the Corporation and the Master Trustee, supplementing the Master Indenture; and

(h) Obligation No. 7, to be dated the date of its issuance (“Obligation No. 7”), to be issued by the Corporation to the Bank; and

**WHEREAS**, the Commission has determined that, taking into account historical financial performance and financial forecasts internally generated by the Corporation, the Corporation is financially responsible and capable of fulfilling its obligations under the Trust Agreement, the Loan Agreement, the Master Indenture, Supplement No. 6, Obligation No. 6, the Credit Agreement, Supplement No. 7 and Obligation No. 7; 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, 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. Defined Terms.** 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 Loan Agreement or the Trust Agreement.

**Section 2. Authorization of Bonds.** Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of a series of revenue bonds consisting of up to \$22,000,000 aggregate principal amount of North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (Carol Woods Project), Series 2012 (the “Bonds”), dated the date of Closing, and having a final stated maturity date of April 1, 2030.

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 of \$100,000, provided that the Bonds may be initially issued to, and purchased by, the Bank in any principal amount, and thereafter in denominations authorized by the provisions of the Trust Agreement. Commencing on the date of Closing, the Bonds shall bear interest at the Bank-Bought Rate, calculated as provided in the Trust Agreement. The initial Bank-Bought Minimum Holding Period shall commence on the date of the Closing and shall end on July 18, 2022. The initial Bank-Bought Rate shall be the rate of interest per annum equal to the sum obtained by adding (i) the product of (x) 65% and (y) the LIBOR Rate plus (ii) 0.78% per annum, adjusted monthly and in accordance with the Trust Agreement. Thereafter the Bonds shall bear interest as provided in the Trust Agreement. Interest on the Bonds shall be payable on each Interest Payment Date on so much of the principal amount of the Bonds as shall be advanced from time to time pursuant to the Contract of Purchase, the Trust Agreement and the Loan Agreement.

**Section 3. Redemption.** The Bonds shall be subject to extraordinary, optional 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 to this Series Resolution.

**Section 4. Optional and Mandatory Tender for Purchase.** The Bonds shall be subject to optional and mandatory tender for purchase at the times, upon the terms and conditions, and at the price set forth in the Trust Agreement.

**Section 5. Use of Bond Proceeds.** The Commission hereby finds that the use of the proceeds of the Bonds for the purposes described in the preamble to this Series Resolution accomplishes the public purposes set forth in the Act. The proceeds of the Bonds shall be advanced as set forth in Section 2.10 of the Trust Agreement.

**Section 6. Authorization of Loan Agreement and Trust Agreement.** The forms, terms and provisions of the Loan Agreement and 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 the Assistant Secretary of the Commission are hereby authorized and directed to execute and deliver the Loan Agreement and the Trust 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 7. Authorization of Contract of Purchase.** 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 8. Forms of Bonds.** 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 the 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 9. Approval of Other Financing Documents.** The forms, terms and provisions of the Credit Agreement, Supplement No. 6, Obligation No. 6, Supplement No. 7 and Obligation No. 7 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 6 of this Series Resolution shall be conclusive evidence of the approval by the Commission of the agreements and instruments set forth in this Section 9.

**Section 10. Purchase of Bonds.** The Commission hereby approves the action of the Local Government Commission in awarding the Bonds to the Bank at a price not exceeding \$22,000,000 (representing the maximum principal amount of the Bonds). Payment for the Bonds by the Bank from time to time shall be made at the purchase price of 100% of so much of the principal amount of the Bonds as shall be advanced from time to time pursuant to the Contract of Purchase.

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 upon the due and valid execution of the Trust Agreement, the Loan Agreement, the Credit Agreement, Supplement No. 6, Obligation No. 6, Supplement No. 7, Obligation No. 7 and the Contract of Purchase by the parties thereto and

thereafter the Bond Trustee shall deliver the Bonds to the Bank against payment therefor in accordance with and subject to the provisions of the Contract of Purchase.

**Section 11. Commission Representatives.** Drexdal R. Pratt, Secretary to the Commission, Christopher B. Taylor, C.P.A., Assistant Secretary to 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 Loan Agreement, with full power to carry out the duties set forth therein.

**Section 12. Ancillary Actions.** 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 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 Master Indenture, Supplement No. 6, Obligation No. 6, Supplement No. 7, Obligation No. 7, the Credit Agreement and the Contract of Purchase.

**Section 13. Professional Fees.** 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 attached to this Series Resolution as Schedule 2.

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

**Schedule 1**

Sinking Fund Requirements

<u>Year</u> <u>(April 1)</u>	<u>Amount</u>
2014	\$ 800,000
2015	960,000
2016	1,000,000
2017	1,045,000
2018	1,095,000
2019	1,145,000
2020	1,200,000
2021	1,255,000
2022	1,310,000
2023	1,370,000
2024	1,430,000
2025	1,500,000
2026	1,570,000
2027	1,640,000
2028	1,715,000
2029	1,800,000
2030*	1,165,000

\* Maturity

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

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Placement Fee	\$90,000	\$85,000
Accountant and Feasibility Fees	\$60,000	\$53,400
Corporation Counsel	\$25,000	\$35,250
Bond Counsel	\$45,000	\$50,000
Bank Counsel	\$30,000	\$10,000

3. **Resolution Approving the Appointment of Wells Fargo Bank, National Association as Letter of Credit Provider and Remarketing Agent for the North Carolina Medical Care Commission Hospital Revenue Bonds (CaroMont Health), Series 2003 (Subseries A and Subseries B) and Approving a First Amendment to Amended and Restated Trust Agreement, a Second Amendment to Loan Agreement and Certain Other Matters Related -**  
Remarks were made by Mr. Jon Mize.

**Executive Committee Action:** A motion was made by Dr. Carl Rust, seconded by Dr. George Binder, 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

WHEREAS, the Commission has heretofore issued its Hospital Revenue Bonds (CaroMont Health), Series 2003, dated as of January 23, 2003, in the aggregate principal amount of \$120,000,000 (the “Bonds”), and loaned the proceeds thereof to Gaston Memorial Hospital, Incorporated and Gaston Health Services, Inc. (now known as CaroMont Health Services, Inc.) (collectively, the “Corporations”) and Gaston Health Care, Inc. (now known as CaroMont Health Inc. (the “Parent”), each of which is a North Carolina nonprofit and a “non-profit agency” within the meaning and intent of the Act, which operates, by itself and through its affiliates, various health care facilities, pursuant to a Loan Agreement, dated as of January 1, 2003, as amended by a First Amendment to Loan Agreement, dated as of June 1, 2008 (collectively, the “Original Agreement”), each among the Commission, the Corporations and the Parent; and

WHEREAS, in order to provide for the issuance of the Bonds, the Commission and The Bank of New York, as predecessor bond trustee, previously entered into a Trust Agreement, dated as of January 1, 2003, as supplemented and amended by a Supplemental Trust Agreement, dated as of May 1, 2006 (collectively, the “Original Trust Agreement”); and

WHEREAS, in connection with the conversion of the interest rate determination method on the Bonds to a weekly rate mode on June 27, 2008, the Original Trust Agreement was amended and restated in the form of an Amended and Restated Trust Agreement, dated as of June 1, 2008 (the “Amended and Restated Trust Agreement”), between the Commission and The Bank of New York Trust Company, N.A. (now known as The Bank of New York Mellon Trust Company, N.A.), as successor bond trustee (the “Bond Trustee”), to provide for the delivery of an irrevocable direct pay letter of credit issued by Bank of America, N.A. (the “Bank of America Letter of Credit”) securing the payment of principal and purchase price of and interest on the Bonds; and

WHEREAS, Section 202(a)(i) of the Amended and Restated Trust Agreement provides that the Bonds constitute two separate subseries, Subseries A (the “Subseries A Bonds”) and



Subseries B (the “Subseries B Bonds”), and such subseries have separate CUSIP identification numbers and are secured by separate municipal bond insurance policies issued by MBIA Insurance Corporation; and

WHEREAS, the Corporations and the Parent have determined to substitute the Bank of America Letter of Credit securing the payment of principal and purchase price for and interest on both the Subseries A Bonds and the Subseries B Bonds with two irrevocable direct pay letters of credit (the “Wells Fargo Letters of Credit”) to be issued by Wells Fargo Bank, National Association (“Wells Fargo”) on July 20, 2012 or such other mutually agreeable date and to designate Wells Fargo as Remarketing Agent for both the Subseries A Bonds and the Subseries B Bonds; and

WHEREAS, in connection with the delivery of the Wells Fargo Letters of Credit to secure the Subseries A Bonds and the Subseries B Bonds and the appointment of Wells Fargo as Remarketing Agent for the Subseries A Bonds and the Subseries B Bonds, it is necessary to amend the Amended and Restated Trust Agreement pursuant to Section 1201(a) thereof and to amend the Original Agreement pursuant to Sections 10.02(a) and (e) thereof to clarify and provide that the Subseries A Bonds and the Subseries B Bonds may be treated as separate and independent series of Bonds under the Amended and Restated Trust Agreement, including, without limitation, the provision of independent Letters of Credit and Remarketing Agents (as such terms are defined in the Amended and Restated Trust Agreement); and

WHEREAS, such amendments will be effected pursuant to a First Amendment to Amended and Restated Trust Agreement, to be dated as of July 1, 2012 or such other mutually agreeable date (the “Trust Agreement Amendment”), between the Commission and the Bond Trustee, and a Second Amendment to Loan Agreement, to be dated as of July 1, 2012 or such other mutually agreeable date (the “Loan Agreement Amendment” and, together with the Trust Agreement Amendment, the “Amendments”), among the Commission, the Corporations and the Parent; and

WHEREAS, there have been presented at this meeting draft forms of the following documents:

(1) the Amendments;

(2) two Reimbursement and Security Agreements, each to be dated as of July 1, 2012 or such other mutually agreeable date (the “Reimbursement Agreements”), between the Corporations, the Parent and Wells Fargo, together with the respective forms of the Wells Fargo Letters of Credit attached thereto as Exhibit A; and

(3) two Remarketing Agreements, each to be dated as of July 1, 2012 or such other mutually agreeable date (the “Remarketing Agreements”), among the Commission, the Corporations, the Parent and Wells Fargo; and

WHEREAS, the Commission has determined that the Corporations and the Parent are financially responsible and capable of fulfilling their obligations under the proposed transaction; and

NOW THEREFORE, BE IT RESOLVED by the Executive Committee of the North Carolina Medical Care Commission as follows:

Section 1. The appointment of Wells Fargo as the provider of the replacement Letters of Credit and as successor Remarketing Agent for the Subseries A Bonds and the Subseries B Bonds is hereby approved. The form, terms and provisions of the Amendments and the Remarketing Agreements are hereby authorized and approved in all respects, and each of the Chairman, the Vice Chairman 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 Amendments and the Remarketing Agreements in substantially the forms 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. The form, terms and provisions of the Reimbursement Agreements and the Wells Fargo Letters of Credit are hereby authorized and approved in all respects.

Section 2. The Authorized Officers are hereby authorized and directed to take such action and to execute and deliver any and all 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, the distribution of any remarketing supplements or other documents related to the appointment of Wells Fargo as successor Remarketing Agent for the Subseries A Bonds and the Subseries B Bonds and the provision of the Wells Fargo Letters of Credit securing the Subseries A Bonds and the Subseries B Bonds, respectively.

Section 3. This resolution shall take effect immediately upon its passage and shall supersede and replace in its entirety the resolution adopted by the Executive Committee of the Commission on June 22, 2012 relating to the Bonds.

**4. Duke University Health System, Inc., Durham - Christopher B. Taylor & Allen Robertson**

**Executive Committee Action:** A motion was made by Dr. George Binder, seconded by Ms. Mary Piepenbring and unanimously approved.

**Resolution:** The Commission grants preliminary approval to a project for Duke University Health System, Inc. to provide funds, to be used together with other available funds, to (1) refund/convert the \$28,650,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Duke University Hospital Project) Series 1993A outstanding in the amount of \$28,650,000 to a Bank-Bought Index Floating Rate Bond Mode and (2) refund/convert \$43,500,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Duke University Hospital Project) Series 1985B outstanding in the amount of

\$26,100,000 to a Bank-Bought Index Floating Rate Bond Mode. The project is in accordance with an application received as follows.

**ESTIMATED SOURCES OF FUNDS**

	<b>1993A</b>	<b>1985B</b>	<b>Total</b>
Principal amount of Bonds issued/converted	\$28,650,000	\$19,720,000	\$48,370,000
1985B Reserve Fund	0	6,380,000	6,380,000
Equity Contribution	<u>68,525</u>	<u>68,525</u>	<u>137,050</u>
<b>Total Sources</b>	<b>\$28,718,525</b>	<b>\$26,168,525</b>	<b>\$54,887,050</b>

**ESTIMATED USES OF FUNDS**

	<b>1993A</b>	<b>1985B</b>	<b>Total</b>
Amount to refund /convert bonds	\$28,650,000	\$19,720,000	\$48,370,000
Use 1985B Reserve Fund to retire bonds	0	6,380,000	6,380,000
Bond counsel	30,000	30,000	60,000
Corporation counsel	15,000	15,000	30,000
Trustee fees and counsel	4,000	4,000	8,000
Local Government Commission fee	4,375	4,375	8,750
Bond purchaser fees and counsel	<u>15,150</u>	<u>15,150</u>	<u>30,300</u>
<b>Total Uses</b>	<b>\$28,718,525</b>	<b>\$26,168,525</b>	<b>\$54,887,050</b>

Tentative approval is given with the understanding that the governing board of Duke University Health System, 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/conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance/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/conversion of bonds of 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/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**

<b>Operating income</b>	<b>\$189,467,000</b>
<b>Increases in unrestricted net assets</b>	<b>\$584,932,000</b>
<b>Increase in net assets</b>	<b>\$583,000,000</b>

<b>Net cash provided by operating activities</b>	<b>\$292,998,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$139,108,000</b>

2) **Long Term Debt Service Coverage Ratio**

<b>FYE</b>	<b>6/30/2012</b>	<b>4.5</b>
	<b>6/30/2013</b>	<b>5.2</b>
	<b>6/30/2014</b>	<b>5.3</b>
	<b>6/30/2015</b>	<b>5.5</b>

3) **Community Benefits per ANDI Report for Duke University Health System for FYE 6/30/2011**

<b>Total Community Benefits</b>	<b>\$300,524,901</b>
<b>Bad Debts</b>	<b>\$ <u>23,010,938</u></b>
<b>Total</b>	<b>\$323,535,839</b>

4) **Bond ratings all three rating agencies**

<b>Moody's</b>	<b>Aa2</b>
<b>Standard &amp; Poor's</b>	<b>AA</b>
<b>Fitch</b>	<b>AA</b>

5. **Adjournment**

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

Respectfully submitted,

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Christopher B. Taylor, CPA  
Assistant Secretary

Date: July 12, 2012