

**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  
NOVEMBER 29, 2012  
2:00 P.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

**Members of the Executive Committee Absent:**

Mary L. Piepenbring  
Dr. Carl K. Rust

**Members of Staff Present:**

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

**Others Present:**

Thomas Brewer, BB& T Capital Markets  
Wally McBride, Hunton & Williams

1. **Purpose of Meeting**

To consider a resolution authorizing the sale of bonds for Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System.

2. **RESOLUTION AUTHORIZING THE ISSUANCE OF \$108,195,000 NORTH CAROLINA MEDICAL CARE COMMISSION HEALTH CARE FACILITIES REVENUE REFUNDING BONDS (CAPE FEAR VALLEY HEALTH SYSTEM), SERIES 2012A (THE "BONDS")** – Remarks were made by Tommy Brewer and Wally McBride.

**Executive Committee Action:** A motion was made by Mr. Joe Crocker, seconded by Mr. George Cecil, and unanimously approved with Dr. George Binder 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 bonds and notes to pay the costs of financing or refinancing qualified health care facilities; and

**WHEREAS**, Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System (the "Corporation") is the owner and operator of certain hospital facilities and related property located primarily in Cumberland County (the "Health System"); and

**WHEREAS**, the Corporation requested the Commission to issue, and the Commission issued, \$133,335,000 in aggregate principal amount of Health Care Facilities Revenue Bonds, (Cape Fear Valley Health System), Series 2008C (the "Series 2008C Bonds") for the purpose of refinancing certain prior bonds and acquiring equipment for the Health System; and

**WHEREAS**, the Series 2008C Bonds were issued pursuant to the terms of a Bond Indenture dated as of September 1, 2008 (the "2008 Bond Indenture"), between the Commission and The Bank of New York Mellon Trust Company, N.A., as bond trustee, with the proceeds of the Series 2008C Bonds loaned to the Corporation pursuant to the terms of a Loan Agreement dated as of September 1, 2008, between the Commission and the Corporation, and the Corporation's obligation to repay such loan was evidenced by Obligation No. 5 issued under the Third Supplemental Master Trust Indenture, supplementing the Master Indenture dated as of April 1, 2006 (the "Master Indenture"), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"); and

**WHEREAS**, the Corporation now intends to refund the Series 2008C Bonds and for that purpose is requesting the Commission to issue its Health Care Facilities Revenue Refunding Bonds (Cape Fear Valley Health System), Series 2012A (the "Series 2012A Bonds"), bearing interest at fixed rates; with the Series 2012A Bonds to be issued pursuant to a Bond Indenture

dated as of December 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”); and

**WHEREAS**, the Commission is requested to issue the Series 2012A Bonds pursuant to the Bond Indenture and loan the proceeds of the Series 2012A Bonds to the Corporation pursuant to the terms of a Loan Agreement dated as of December 1, 2012 (the “Loan Agreement”), between the Commission and the Corporation; and

**WHEREAS**, the Series 2012A Bonds are to be secured by an obligation issued under the Master Indenture evidencing the Corporation’s obligation to repay the loan of the proceeds and, therefore, the Corporation will enter into a Fifth Supplemental Master Trust Indenture dated as of December 1, 2012 (the “Fifth Supplemental Master Trust Indenture”), with the Master Trustee, providing for the issuance of Obligation No. 8 (“Obligation No. 8”) for delivery to the Commission for assignment to the Bond Trustee; and

**WHEREAS**, the Series 2012A Bonds will be sold through a negotiated sale to Scott & Stringfellow, LLC t/a BB&T Capital Markets, Fifth Third Securities, Inc. and Wells Fargo Bank, N.A. (collectively, the “Underwriters”), pursuant to a Contract of Purchase dated on or about November 29, 2012 (the “Contract of Purchase”), between the North Carolina Local Government Commission (the “LGC”) and the Underwriters, and approved by the Commission and the Corporation; and

**WHEREAS**, the Series 2012A Bonds will be offered to the public pursuant to a Preliminary Official Statement dated November 14, 2012 (the “Preliminary Official Statement”), and a final Official Statement dated on or about November 29, 2012, containing pricing and other information (the “Final Official Statement” and, together with the Preliminary Official Statement, the “Official Statements”); and

**WHEREAS**, the Commission has determined that the public interest will best be served by the proposed financing and, by a resolution adopted on September 20, 2012, approved the financing, 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**, the LGC approved the sale of the Series 2012A Bonds at its meeting on November 13, 2012; and

**WHEREAS**, there have been presented at this meeting draft copies of the following documents (collectively, the “Documents”) relating to the issuance and sale of the Series 2012A Bonds:

- (a) Bond Indenture;
- (b) Loan Agreement
- (c) Fifth Supplemental Master Trust Indenture;
- (d) Obligation No. 8;

- (e) Contract of Purchase;
- (f) Official Statements;
- (g) Escrow Deposit Agreement dated as of December 1, 2012, among the Commission, the Corporation and The Bank of New York Mellon Trust Company, N.A., as escrow agent; and
- (h) First Amendment to Bond Indenture dated as of December 1, 2012; and

**WHEREAS**, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Documents to which it is a party; 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 Series 2012A Bonds;

**NOW, THEREFORE, THE NORTH CAROLINA MEDICAL CARE COMMISSION DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** Capitalized words and terms used in this Resolution and not defined herein shall have the same meanings in this 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 Care Facilities Revenue Refunding Bonds (Cape Fear Valley Health System), Series 2012A (the “Series 2012A Bonds”) in the aggregate principal amount of \$108,195,000. The Series 2012A Bonds shall mature in such amounts and at such times and bear interest at fixed rates as set forth in Exhibit A. Certain of the Series 2012A Bonds shall be subject to mandatory sinking fund redemption as set forth in Exhibit A.

The Series 2012A Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any whole multiple thereof. The Series 2012A Bonds shall be issued in book-entry form as provided in the Bond Indenture. Interest on the Series 2012A Bonds shall be paid on each April 1 and October 1, beginning April 1, 2013. Payments of principal of and interest on the Series 2012A Bonds shall be forwarded by the Bond Trustee to the registered owners of the Series 2012A Bonds in such manner as is set forth in the Bond Indenture.

**Section 3.** The Series 2012A Bonds shall be subject to optional, extraordinary and mandatory redemption, all at the times, upon the terms and conditions, and at the prices set forth in the Bond Indenture.

**Section 4.** The Commission finds that the use of the proceeds of the Series 2012A Bonds for a loan to the Corporation to refund the Series 2008C Bonds will accomplish the public purposes set forth in the Act. The proceeds of the Series 2012A Bonds shall be applied as provided in the Bond Indenture provided no amounts shall be used for payment of financial

advisor fees and any amounts remaining after payment of issuance expenses may be used to pay interest on the Series 2012A Bonds.

**Section 5.** The forms, terms and provisions of the Documents are hereby approved in all respects. The Officers of the Commission are hereby authorized and directed to execute and deliver or approve the Documents 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 or appropriate, including but not limited to changes, modifications and deletions necessary to incorporate the final terms of the Series 2012A Bonds as shall be set forth in the Contract of Purchase. Such execution and delivery or approval shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 6.** The form of the Series 2012A Bonds set forth in the Bond Indenture is hereby approved. The Series 2012A Bonds shall be executed by the manual or facsimile signature of the Chairperson and the Vice Chairperson of the Commission, or any member of the Commission designated by the Chairperson, and the seal of the Commission may be attached thereto or reproduced thereon and the Secretary and any Assistant Secretary of the Commission may execute the Series 2012A Bonds and attest to the Commission's seal thereon. The officers of the Commission are authorized to deliver to the Bond Trustee for authentication on behalf of the Commission, the Series 2012A 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. Such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 7.** The Commission hereby approves the action of the LGC in awarding the Series 2012A Bonds to the Underwriters at the purchase price of \$124,167,276.90 (representing the principal amount of the Series 2012A Bonds plus net original issue premium of \$16,783,739.40 and less underwriters' discount of \$811,462.50).

**Section 8.** Upon their execution in the form and manner set forth in the Bond Indenture, the Series 2012A Bonds shall be deposited with the Bond Trustee for authentication, and the Bond Trustee is hereby authorized and directed to authenticate the Series 2012A Bonds and, upon the due and valid execution of the Documents, the Bond Trustee shall deliver the Series 2012A Bonds to the Depository Trust Company or retain the Series 2012A Bonds on behalf of the Depository Trust Company for the account of the Underwriters against payment therefor, subject to the provisions of the Bond Indenture.

**Section 9.** The Official Statements in the forms presented at this meeting are approved with respect to the Commission and the Series 2012A Bonds, and the Commission hereby approves the sale of the Series 2012A Bonds pursuant to the terms of the Contract of Purchase. The Chairperson and Vice Chairperson, or any member of the Commission designated by the Chairperson, are authorized to execute and deliver to the Underwriters, on behalf of the Commission, for distribution, the Final Official Statement in substantially the forms presented at this meeting, with such completions, omissions, insertions and changes as the executing Officers of the Commission, with the advice of counsel, may approve, and such Officer's execution shall constitute conclusive evidence of the approval of any such completions, omissions, insertions

and changes. Execution of the Final Official Statement shall constitute evidence that the Official Statements have been deemed final within the meaning of Rule 15c2-12. The Commission's approval of the Official Statements does not constitute any representation or warranty as to the accuracy, completeness or adequacy of the information in the Official Statements (other than information regarding the Commission).

**Section 10.** Lucy H. Bode, Chairperson, Joseph D. Crocker, Vice Chairperson, Steven C. Lewis, Chief of Construction Section and Christopher B. Taylor, Assistant Secretary, are each 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 11.** Any authorization to the Officers of the Commission to execute a document shall be an authorization to the Chairperson, Vice Chairperson, any member of the Commission designated by the Chairperson, the Secretary and any Assistant Secretary to execute such document and to the Secretary and any Assistant Secretary to attest to the Commission's seal and to the signatures of other Officers. The Chairperson, Vice Chairperson and any Assistant Secretary of the Commission are authorized and directed to take such action and to execute and deliver any such documents, certificates, undertakings, agreements or other instruments, including any tax certificate and IRS Form 8038, as they, with the advice of counsel, may deem necessary or appropriate to effect the issuance of the Series 2012A Bonds or the transactions contemplated by the Documents.

**Section 12.** All other acts and deeds of the officers and agents of the Commission previously taken and to be taken that are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Series 2012A Bonds, including, but not limited to, the execution and delivery of any certificates, instruments and documents necessary in connection therewith, are hereby approved, ratified and confirmed.

**Section 13.** If any court of competent jurisdiction determines that any section, paragraph, clause or provisions of this Resolution is invalid and unenforceable, such determination will not invalidate any other provision of this Resolution.

**Section 14.** All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Resolution are repealed to the extent they are inconsistent with this Resolution.

**Section 15.** 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 Resolution as Exhibit B.

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

3. **Addendum**

The Executive Committee discussed the utilization of co-bond counsel and concluded that on future deals the utilization of co-bond counsel would not be approved.

4. **Adjournment**

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

Respectfully submitted,

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Christopher B. Taylor, CPA  
Assistant Secretary

Maturity Schedule

<u>Maturity (October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity (October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>
2013	\$2,420,000	2.000%	2020	\$7,885,000	5.000%
2014	1,905,000	2.500	2021	250,000	2.125
2014	4,690,000	3.000	2021	8,610,000	5.000
2015	6,790,000	4.000	2022	50,000	2.500
2016	4,575,000	3.000	2022	9,255,000	5.000
2016	2,500,000	4.000	2023	9,785,000	5.000
2017	7,325,000	4.000	2024	2,390,000	5.000
2018	75,000	3.000	2025	2,200,000	5.000
2018	7,560,000	5.000	2026	2,300,000	5.000
2019	1,205,000	3.000	2027	2,375,000	5.000
2019	6,825,000	5.000	2032	13,605,000	5.000
2020	550,000	2.000	2033	3,070,000	3.500

The Series 2012A Bonds maturing on October 1, 2032, are subject to mandatory sinking fund redemption in the following years and amounts:

<u>Year</u>	<u>Amount</u>
2028	\$2,495,000
2029	2,605,000
2030	2,720,000
2031	2,825,000
2032	2,960,000*

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\*Maturity



Professional Fees

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Underwriters' Discount	\$1,087,400	\$811,462.50
Underwriters' Counsel	\$75,000	\$75,000.00
Co-Bond Counsel	\$120,000	\$130,000.00
Corporation Counsel	\$50,000	\$40,000.00
Accountants	\$50,000	\$120,000.00