

**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**  
**DECEMBER 19, 2013**  
**11:00 A.M.**

**Members of the Executive Committee Present:**

George H. V. Cecil  
Dr. George A. Binder  
Albert F. Lockamy  
Dr. Carl K. Rust

**Members of the Executive Committee Absent:**

Lucy Hancock Bode, Chairman  
Joseph D. Crocker, Vice-Chairman  
Mary L. Piepenbring

**Members of Staff Present:**

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

**Others Present:**

Kevin Dougherty, McGuire Woods, LLP  
Richard Marvin  
Jon Mize, Womble Carlyle & Sandridge & Rice, PLLC  
Allen Robertson, Robinson, Bradshaw & Hinson, PA

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**1. Purpose of Meeting**

To authorize the execution and delivery of a First Supplemental Trust Agreement for the 2010 Bonds issued for the benefit of Arbor Acres United Methodist Retirement Community, Inc., a letter with a resolution from Womble Carlyle Sandridge & Rice related to the Wilson Memorial Hospital Defeasance and a resolution to approve the extension of the initial periods for the 2011C and 2011D Bonds for Cone Health.

**2. Resolution of the North Carolina Medical Care Commission Approving and Authorizing Execution and Delivery of a First Supplemental Trust Agreement Relating to the North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (Arbor Acres United Methodist Retirement Community Project), Series 2010 (the “Bonds”) – Remarks were made by Allen Robertson and Richard Marvin.**

**Executive Committee Action:** A motion was made by Dr. George Binder, seconded by Mr. Al Lockamy and unanimously approved with Dr. Rust abstaining from the vote.

WHEREAS, the North Carolina Medical Care Commission (the “Commission”), a commission of the Department of Health and Human Services of the State of North Carolina, agreed to issue up to \$28,875,000 aggregate principal amount of its Retirement Facilities Revenue Refunding Bonds (Arbor Acres United Methodist Retirement Community Project), Series 2010 (the “Bonds”) in the form of a “draw-down loan” (as described in Section 1.150-1(c)(4)(i) of the Treasury Regulations); and

WHEREAS, on June 10, 2010, the Commission initially issued \$2,279,620 principal amount of the Bonds and, through the completion of the Project (as described in Exhibit A to the hereinafter defined Loan Agreement), issued \$28,473,682.10 aggregate principal amount of the Bonds; and

WHEREAS, the Bonds were issued pursuant to the terms of a Trust Agreement, dated as of June 1, 2010 (the “Trust Agreement”), between the Commission and Branch Banking and Trust Company, as bond trustee (the “Bond Trustee”), and the Commission loaned the proceeds from the sale of the Bonds to Arbor Acres United Methodist Retirement Community, Inc. (the “Corporation”) pursuant to a Loan Agreement, dated as of June 1, 2010 (the “Loan Agreement”), between the Commission and the Corporation; and

WHEREAS, the Bonds were purchased upon their initial issuance, and continue to be held, by Branch Banking and Trust Company (the “Bank Holder”); and

WHEREAS, since their initial issuance, the Bonds have been bearing interest at a Bank-Bought Rate (as defined in the Trust Agreement) equal to 68% of One-Month LIBOR plus 1.3975% per annum; and

WHEREAS, during the initial Bank-Bought Rate Period (as defined in the Trust Agreement), the Bonds are subject to mandatory tender upon notice by the Majority Bank Holders

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(as defined in the Trust Agreement) on or after the last day of the Bank-Bought Minimum Holding Period (as defined in the Trust Agreement), which was initially specified to be June 10, 2017; and

WHEREAS, the Bank Holder has proposed to reduce the Bank-Bought Rate to 68% of One-Month LIBOR plus 1.30% per annum and extend the Bank-Bought Minimum Holding Period to the tenth anniversary of the date of delivery of the Supplement described below (e.g. December 2023); and

WHEREAS, the changes to the Bonds will be treated as a “reissuance” (i.e., a deemed current refunding) of the Bonds for federal income tax purposes; and

WHEREAS, as of December 1, 2013, after the optional redemption required by the Bank Holder on December 1, 2013, the aggregate outstanding principal amount of the Bonds was \$28,003,682.10; and

WHEREAS, under Section 3.02 of the Trust Agreement, the Corporation is required to redeem \$3,682.10 principal amount of the Bonds so that the remaining Outstanding aggregate principal amount of the Bonds, after giving effect to such redemption, is a multiple of \$5,000; and

WHEREAS, such redemption will occur immediately prior to giving effect to the amendments to the Trust Agreement set forth in the Supplement (defined below); therefore, the Outstanding aggregate principal amount of the Bonds on the effective date of the Supplement will be \$28,000,000; and

WHEREAS, the amount of Bonds authorized but not issued, \$401,317.90, plus the amount redeemed pursuant to Section 3.02 of the Trust Agreement, \$3,682.10, which equals \$405,000, will be applied to reduce the principal amount payable on the maturity date of the Bonds; and

WHEREAS, Section 2.08(b) of the Trust Agreement contains an incorrect cross-reference;

WHEREAS, Section 11.02 of the Trust Agreement permits the Commission and the Bond Trustee, with the consent of the Bank Holder as the Holder (as defined in the Trust Agreement) of 100% of the Bonds, to enter into agreements supplemental to the Trust Agreement to make any change to the Trust Agreement, and Section 11.01 of the Trust Agreement permits the Commission and the Bond Trustee, with the consent of the Majority Bank Holders while the Bonds bear interest at a Bank-Bought Rate, to enter into agreements supplemental to the Trust Agreement to correct any provision therein;

WHEREAS, there has been presented at this meeting a draft copy of a First Supplemental Trust Agreement, to be dated the date of delivery thereof (the “Supplement”) between the Commission and the Bond Trustee, that would amend the Trust Agreement to make the changes proposed by the Bank Holder and to reflect the reduction of the amount payable on the maturity date of the Bonds (January 1, 2038); and

WHEREAS, the Corporation has requested that the Commission approve the Supplement and authorize its execution and delivery;

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NOW, THEREFORE, THE NORTH CAROLINA MEDICAL CARE COMMISSION DOES HEREBY RESOLVE, as follows:

Section 1. The form, terms and provisions of the Supplement are hereby approved in all respects, and the Chairman, Vice Chairman, Secretary or Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) are hereby authorized and directed to execute and deliver the Supplement in substantially the form presented at this meeting, together with such changes, modifications and deletions as they, with the advice of bond 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 2. The Chairman, Vice Chairman, Secretary or Assistant Secretary of the Commission (or any member of the Commission designated by the Chairman) or any duly authorized Commission Representative under the Trust Agreement are authorized and directed to execute and deliver a replacement Bond reflecting the terms of the Supplement to the Bank Holder and to take such other action and to execute and deliver any such other documents, certificates, undertakings, agreements or other instruments as they, with the advice of bond counsel, may deem necessary or appropriate to effect the changes made in the Supplement and the reissuance of the Bonds.

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

**3. RESOLUTION AUTHORIZING CERTAIN AMENDMENTS TO THE TRUST AGREEMENTS IN CONNECTION WITH THE EXTENSION OF THE INITIAL PERIODS FOR THE OUTSTANDING NORTH CAROLINA MEDICAL CARE COMMISSION HOSPITAL REVENUE BONDS (CONE HEALTH), SERIES 2011C AND SERIES 2011D** - Remarks were made by Kevin Dougherty.

**Executive Committee Action:** A motion was made by Dr. George Binder, seconded by Mr. Al Lockamy and unanimously approved with Dr. Rust 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, 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 The Moses H. Cone Memorial Hospital (the "Parent Corporation") and The Moses H. Cone Memorial Hospital Operating Corporation (the "Operating Corporation") 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 Commission, the Parent Corporation and the Operating Corporation have heretofore entered into a Loan Agreement, dated as of September 1, 2011, relating to the lending by the Commission to the Parent Corporation and the Operating Corporation of the

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proceeds of the Commission's \$50,000,000 Hospital Revenue Bonds (Cone Health), Series 2011C (the "Series 2011C Bonds");

**WHEREAS**, the Series 2011C Bonds are secured by a Trust Agreement, dated as of September 1, 2011 (the "2011C Trust Agreement"), between the Commission and The Bank of New York Mellon Trust Company, N.A., as Bond Trustee (the "2011C Bond Trustee");

**WHEREAS**, the Series 2011C Bonds are currently held by Specialized Lending, LLC, an affiliate of Bank of America, N.A., and bear interest in an Index Rate Period (as defined in the 2011C Trust Agreement) with an Initial Period (as defined in the 2011C Trust Agreement) ending on September 21, 2015;

**WHEREAS**, Specialized Lending, LLC, the Parent Corporation and the Operating Corporation wish to extend the Initial Period to October 1, 2020 and to adjust the interest rate on the Series 2011C Bonds, and the Parent Corporation and the Operating Corporation have requested that the Commission and the 2011C Bond Trustee amend the 2011C Trust Agreement in certain respects to facilitate such extension and adjustment;

**WHEREAS**, the Commission, the Parent Corporation and the Operating Corporation have heretofore entered into a Loan Agreement, dated as of September 1, 2011, relating to the lending by the Commission to the Parent Corporation and the Operating Corporation of the proceeds of the Commission's \$50,000,000 Hospital Revenue Bonds (Cone Health), Series 2011D (the "Series 2011D Bonds");

**WHEREAS**, the Series 2011D Bonds are secured by a Trust Agreement, dated as of September 1, 2011 (the "2011D Trust Agreement"), between the Commission and The Bank of New York Mellon Trust Company, N.A., as Bond Trustee (the "2011D Bond Trustee");

**WHEREAS**, the Series 2011D Bonds are currently held by Specialized Lending, LLC and bear interest in an Index Rate Period (as defined in the 2011D Trust Agreement) with an Initial Period (as defined in the 2011D Trust Agreement) ending on September 21, 2016;

**WHEREAS**, Specialized Lending, LLC, the Parent Corporation and the Operating Corporation wish to extend the Initial Period to October 1, 2020 and to adjust the interest rate on the Series 2011D Bonds, and the Parent Corporation and the Operating Corporation have requested that the Commission and the 2011D Bond Trustee amend the 2011D Trust Agreement in certain respects to facilitate such extension and adjustment;

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

(a) the First Supplemental Trust Agreement, dated as of January 1, 2014 (the "2011C Supplemental Trust Agreement"), by and between the Commission and the 2011C Bond Trustee, amending in certain respects the 2011C Trust Agreement;

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(b) the First Supplemental Trust Agreement, dated as of January 1, 2014 (the “2011D Supplemental Trust Agreement”), by and between the Commission and the 2011D Bond Trustee, amending in certain respects the 2011D Trust Agreement;

(c) the form of the Series 2011C Bonds to be executed and delivered to Specialized Lending, LLC in exchange for the Series 2011C Bonds issued on September 21, 2011; and

(d) the form of the Series 2011D Bonds to be executed and delivered to Specialized Lending, LLC in exchange for the Series 2011D Bonds issued on September 21, 2011; and

**WHEREAS**, the Commission has determined that the public interest will be served by the proposed amendments set forth in the 2011C Supplemental Trust Agreement and the 2011D Supplemental Trust Agreement;

**NOW, THEREFORE, THE EXECUTIVE COMMITTEE OF THE NORTH CAROLINA MEDICAL CARE COMMISSION DOES HEREBY RESOLVE, as follows:**

**Section 1.** The forms, terms and provisions of the 2011C Supplemental Trust Agreement and the 2011D Supplemental 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 2011C Supplemental Trust Agreement and the 2011D Supplemental 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; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 2.** The form of the Series 2011C Bonds 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 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 Series 2011C Bonds, and to deliver to the 2011C Bond Trustee for authentication on behalf of the Commission, the Series 2011C 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 2011C Trust Agreement; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 3.** Upon their execution, the Series 2011C Bonds shall be deposited with the 2011C Bond Trustee for authentication, and the 2011C Bond Trustee is hereby authorized and directed to authenticate the Series 2011C Bonds and, upon the due and valid execution of the 2011C

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Supplemental Trust Agreement, the 2011C Bond Trustee shall deliver the Series 2011C Bonds to Specialized Lending, LLC in exchange for the Series 2011C Bonds issued on September 21, 2011.

**Section 4.** The form of the Series 2011D Bonds 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 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 Series 2011D Bonds, and to deliver to the 2011D Bond Trustee for authentication on behalf of the Commission, the Series 2011D 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 2011D Trust Agreement; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

**Section 5.** Upon their execution, the Series 2011D Bonds shall be deposited with the 2011D Bond Trustee for authentication, and the 2011D Bond Trustee is hereby authorized and directed to authenticate the Series 2011D Bonds and, upon the due and valid execution of the 2011D Supplemental Trust Agreement, the 2011D Bond Trustee shall deliver the Series 2011D Bonds to Specialized Lending, LLC in exchange for the Series 2011D Bonds issued on September 21, 2011.

**Section 6.** 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, notices, certificates, undertakings, agreements or other instruments as they, with the advice of counsel, may deem necessary or appropriate to effect the amendments contemplated by the 2011C Supplemental Trust Agreement and the 2011D Supplemental Trust Agreement.

**Section 7.** This Resolution shall take effect immediately upon its passage.

5. **Resolution Approving the Defeasance of North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Wilson Memorial Hospital Project), Series 1997 and North Carolina Medical Care Commission Hospital Revenue Bonds (Wilson Medical Center), Series 2007 and Certain Matters Relating Thereto** – Remarks were made by Jon Mize.

**Executive Committee Action:** A motion was made by Dr. George Binder, seconded by Mr. Al Lockamy, and unanimously approved with Dr. Carl Rust abstaining from the vote.

WHEREAS, the North Carolina Medical Care Commission (the “Commission”) has heretofore issued, pursuant to a Trust Agreement, dated as of February 1, 1997 (the “1997 Trust Agreement”), between the Commission and Branch Banking and Trust Company, as trustee (the “1997 Bond Trustee”), its \$50,953,361.10 North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Wilson Memorial Hospital Project), Series 1997 (the “1997 Bonds”), of which \$3,226,885.25 are currently outstanding;

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WHEREAS, the Commission has heretofore loaned the proceeds of the 1997 Bonds to Wilson Medical Center (formerly known as Wilson Memorial Hospital, Inc.) (the “Corporation”) pursuant to a Loan Agreement, dated as of February 1, 1997, between the Corporation and the Commission;

WHEREAS, the Commission has heretofore issued, pursuant to a Trust Agreement, dated as of August 1, 2007 (the “2007 Trust Agreement” and, together with the 1997 Trust Agreement, the “Prior Trust Agreements”), between the Commission and Branch Banking and Trust Company, as trustee (the “2007 Bond Trustee”), its \$33,825,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Wilson Medical Center), Series 2007 (the “2007 Bonds” and, together with the 1997 Bonds, the “Prior Bonds”), of which \$20,830,000 are currently outstanding;

WHEREAS, the Commission has heretofore loaned the proceeds of the 2007 Bonds to the Corporation pursuant to a Loan Agreement, dated as of August 1, 2007, between the Corporation and the Commission;

WHEREAS, the Corporation and DLP Healthcare, LLC (“DLP”) have entered into a Memorandum of Understanding that contemplates the transfer of substantially all of the assets of the Corporation and its affiliates to a newly formed for-profit joint venture in which DLP would hold an 80% interest;

WHEREAS, in connection with the formation of the joint venture with DLP and the related transfer of assets, the Corporation desires to (a) defease all of the outstanding 1997 Bonds and 2007 Bonds in accordance with Section 1201 of the 1997 Trust Agreement and Section 12.01 the 2007 Trust Agreement, respectively, and (b) release and discharge the 1997 Trust Agreement and the 2007 Trust Agreement;

WHEREAS, the Corporation also desires to cause the outstanding 2007 Bonds maturing on or after November 1, 2018 to be called for optional redemption on November 1, 2017, at a redemption price equal to 100% of the principal amount of such 2007 Bonds to be redeemed, plus accrued interest to the redemption date pursuant to the 2007 Trust Agreement;

WHEREAS, the amounts to be used to defease the Prior Bonds as described above shall be derived from amounts held in various funds and accounts established under the Prior Trust Agreements, if any, and other available funds of the Corporation (including funds received from DLP or its affiliates in connection with the above-referenced joint venture);

WHEREAS, in connection with such defeasance transaction, it will be necessary for the Corporation to enter into two Escrow Deposit Agreements, each to be dated as of January 1, 2014 or some other mutually agreeable date (the “Escrow Agreements”), among the Commission, the Corporation and Branch Banking and Trust Company, as escrow agent (the “Escrow Agent”), pursuant to which escrow funds 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 1997 Bonds or the 2007 Bonds, as applicable, when the same becomes due and payable; and

WHEREAS, there has been presented at this meeting drafts of the Escrow Agreements;



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WHEREAS, it has been represented to the Commission that the Corporation is financially responsible and capable of fulfilling its obligations under the proposed transaction; and

WHEREAS, the Commission has determined that the public interest will be served by causing all of the Prior 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 Executive Committee of the Commission as follows:

Section 1. The defeasance of the Prior Bonds and the release and discharge of the Prior Trust Agreements are hereby approved.

Section 2. The form, terms and provisions of the Escrow Agreements 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 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.

Section 3. 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 maintain the tax-exempt status of the Bonds, defease and redeem the Prior Bonds and discharge and release the Prior Trust Agreements, provided such actions are not inconsistent with the provisions of this resolution.

Section 4. This resolution shall take effect immediately upon its passage.

## **6. Letters from Womble Carlyle Sandridge & Rice, PLLC**



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Suite 2100  
Raleigh, NC 27601

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E-mail: [jmize@wcsr.com](mailto:jmize@wcsr.com)

## MEMORANDUM

**TO:** Christopher B. Taylor, CPA

**FROM:** Womble Carlyle Sandridge & Rice, LLP

**DATE:** December 11, 2013

**RE:** Defeasance of \$50,953,361.10 North Carolina Medical Care Commission Hospital Revenue Refunding Bonds (Wilson Memorial Hospital Project), Series 1997 (the "Series 1997 Bonds") and \$33,825,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Wilson Medical Center), Series 2007 (the "Series 2007 Bonds" and, together with the Series 1997 Bonds, the "Bonds")

At the November 5, 2013 meeting of the North Carolina Medical Care Commission (the "Commission"), our firm presented a resolution relating to the defeasance of the above-referenced Bonds issued by the Commission for the benefit of Wilson Medical Center ("WilMed"). As discussed at the meeting, WilMed and DLP Healthcare, LLC ("DLP") have entered into a Memorandum of Understanding that contemplates the transfer of substantially all of the assets of WilMed and its affiliates to a newly formed for-profit joint venture in which DLP would hold an 80% interest. In connection with such joint venture, it is necessary to defease the Bonds.

At the November meeting, Chairperson Bode requested information on two issues relating to the defeasance of the Bonds and community benefits for the area served by WilMed. This memorandum and the related attachment address those issues as follows:

**Issue 1: Were community benefits addressed in the Escrow Deposit Agreements or other defeasance documents for other DLP transactions involving the defeasance of NCMCC bonds?**

In October 2011, Maria Parham Medical Center, Inc. entered into a similar arrangement with DLP that required the defeasance of outstanding bonds issued through the Commission. The Commission entered into an Escrow Deposit Agreement to achieve such defeasance. We have reviewed the Escrow Deposit Agreement and the related Commission approval. Based on

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our review, we did not note any specific provisions addressing community benefits following the defeasance of the bonds.

DLP also entered into a similar joint venture transaction for Person Memorial Hospital in September 2011 that required the pay off of outstanding Commission debt. This debt, however, was variable rate and could be called on any date. Thus, an Escrow Deposit Agreement was not necessary. Our firm was not involved in this transaction.

**Issue 2: What is being done to protect the interests of the Wilson County community in connection with this transaction?**

In response to the second issue, Tom Stukes, the lead attorney from our firm representing WilMed on the underlying joint venture transaction, has prepared a letter describing the safeguards in place to protect these community interests. It is attached to this memorandum.

Please do not hesitate to contact us if you have any questions.

Enclosure

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Thomas S. Stukes  
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December 10, 2013

**VIA Email**

Christopher B. Taylor, CPA,  
Assistant Secretary  
North Carolina Medical Care Commission  
2701 Mail Service Center, Raleigh, NC 27699-2701

Re: Wilson Medical Center

Defeasance: Hospital Revenue Bonds (Wilson Medical Center), Series 2007 and Hospital Revenue Refunding Bonds (Wilson Memorial Hospital Project), Series 1997 (the "Bonds")

Dear Chris:

You have requested that we, as counsel to Wilson Medical Center, address questions raised by Lucy Bode, the Chairperson of the Medical Care Commission (the "Commission"), with respect to the underlying transaction that is prompting the proposed defeasance of the Bonds. We understand that the questions involve concern whether the interest of the community has been protected.

The proposed transaction involves transfer of substantially all of the assets of Wilson Medical Center and its affiliated skilled nursing facility, WilMed Generations, Inc., d/b/a "WilMed Nursing Care and Rehabilitation Center" to a new limited liability company, DLP Wilson Holding Company, LLC (the "Joint Venture"). The members of the Joint Venture will be Wilson Medical Center, which is the nonprofit tax-exempt charitable corporation currently operating the facilities and the borrower with respect to the Bonds, and DLP Healthcare, LLC. The members of DLP Healthcare, LLC are Duke Quality Network, Inc. a wholly controlled affiliate of Duke University Health System, Inc. and DLP Partner, LLC, an indirect wholly-owned subsidiary of LifePoint Hospitals, Inc., an investor owned hospital company. DLP Wilson Holding Company, LLC will continue to operate Wilson Medical Center as a general acute care community hospital and WilMed Nursing Care and Rehabilitation Center as nursing and rehabilitation facility through wholly owned subsidiaries. Wilson Medical Center and DLP Healthcare LLC will exercise equal voting control over the Joint Venture.

In response to Ms. Bode's question, we submit to you the following:

- (1) Pursuant to N.C. General Statutes § 55A-12-02, the North Carolina Attorney General must approve the proposed transaction. As required by this statute, Wilson Medical Center has given notice and submitted a comprehensive description of the transaction to the Attorney General. The Attorney General will review the transaction with respect to fairness of consideration, protection of community benefit, and absence of improper benefits. The Attorney General is currently reviewing this submission.
- (2) Because Wilson County holds a reversionary interest in the hospital and skilled nursing facilities pursuant to N.C. General Statutes §131E-8, the County Commissioners have undertaken the public process set forth in N.C. General Statutes §131E-13 for the release of its reversionary interest as part of the transaction. The release of the reversionary interest requires that the County Commissioners approve the transaction based on "...the health-related needs of medically underserved groups, such as low income persons, racial and ethnic minorities, and handicapped persons." See N.C. General Statutes §131E-13(c) (7). Moreover, the deed to the Joint Venture must contain a new reversionary interest that will mandate reversion of title to the facilities back to the County if the Joint Venture ceases to operate the hospital as a community general hospital, terminates the core services listed in the statute, fails to substantially continue Wilson Medical Center's indigent care policy, fails to provide emergency treatment without regard to immediate ability to pay, fails to participate in government reimbursement programs such as Medicare and Medicaid, or discriminates on the basis of race, creed, color, sex, or national origin. See N.C. General Statutes §131E-13(a).

Based on the above, we believe that the Attorney General and the Wilson County Commissioners have ample authority and oversight over the transaction to protect the community's interest and to address Ms. Bode's concerns. Please let me know if you would like to discuss this matter further.

Best regards,

**WOMBLE CARLYLE SANDRIDGE & RICE**  
*A Limited Liability Partnership*



Thomas S. Stukes  
Partner

TSS:jkc

cc: Richard E. Hudson, CEO  
Lynn Lambert, CFO  
Paul H. Billow  
Jonathan Mize

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7. **Adjournment**

There being no further business, the meeting was adjourned at 11:20 a.m.

Respectfully submitted,

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Christopher B. Taylor, CPA  
Assistant Secretary

Date: December 19, 2013