

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
FEBRUARY 27, 2014
11:00 A.M.**

Members of the Executive Committee Present:

Dr. John A. Fagg, Chairman
Joseph D. Crocker, Vice-Chairman
Dr. George A. Binder
George H.V. Cecil
Albert F. Lockamy, R.Ph.
Dr. Carl K. Rust

Members of the Executive Committee Absent:

Mary L. Piepenbring

Members of Staff Present:

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

Others Present:

Alice Adams, Robinson Bradshaw & Hinson, PA
Fred Hargett, Novant Health
Kevin Griffin, Novant Health
Allen Robertson, Robinson Bradshaw & Hinson, PA

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1. Purpose of Meeting

To approve the conversion of the Commission's Variable Rate Demand Health Care Facilities Revenue Refunding Bonds (Novant Health Obligated Group) Series 2008, consisting of Series 2008A, Series 2008B and Series 2008C to new Index Interest Rate Periods.

2. Resolution of the North Carolina Medical Care Commission Approving the Conversion of the North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities Revenue Refunding Bonds (Novant Health Obligated Group) Series 2008, consisting of Series 2008A, Series 2008B and Series 2008C to new Index Interest Rate Periods – Remarks were made by Allen Robertson and Kevin Griffin.

Executive Committee Action: A motion was made by Mr. Joe Crocker, seconded by Dr. George Binder and unanimously approved with Mr. George Cecil and Dr. Carl 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 (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 to refund bonds previously issued by the Commission; and

WHEREAS, Novant Health, Inc. (the "Parent Corporation") is a nonprofit corporation duly incorporated and validly existing under and by virtue of the laws of the State of North Carolina and is a "non-profit agency" within the meaning of the Act; and

WHEREAS, on August 19, 2008, the Commission issued its Variable Rate Demand Health Care Facilities Revenue Refunding Bonds (Novant Health Obligated Group) Series 2008, consisting of (a) Series 2008A in the aggregate principal amount of \$70,000,000, \$55,105,000 of which are outstanding (the "2008A Bonds"), (b) Series 2008B in the aggregate principal amount of \$75,090,000, \$60,195,000 of which are outstanding (the "2008B Bonds"), and (c) Series 2008C in the aggregate principal amount of \$50,870,000, \$40,280,000 of which are outstanding (the "2008C Bonds" and together with the 2008A Bonds and the 2008B Bonds, the "Bonds"), pursuant to Trust Agreements dated as of August 1, 2008 (collectively, the "Original Trust Agreements") between the Commission and The Bank of New York Mellon Trust Company, N.A., as trustee (collectively, the "Bond Trustee"); and

WHEREAS, on March 23, 2011 (the "2011 Conversion Date") the Commission and the Bond Trustee entered into three Amended and Restated Trust Agreement dated as of March 23, 2011 (collectively, the "Trust Agreements") for the purpose of amending and restating the Original Trust Agreements to add an "Index Interest Rate" mode and convert to that mode; and

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WHEREAS, the Commission has loaned the proceeds of the Bonds to the Parent Corporation pursuant to three Amended and Restated Loan Agreements dated as of March 23, 2011 between the Commission and the Parent Corporation; and

WHEREAS, on the 2011 Conversion Date (a) Wells Fargo Bank, National Association purchased the 2008A Bonds for five years at a variable interest rate equal to 68% of one-month LIBOR plus 0.75% for the first three years and 75% of one-month LIBOR plus 0.75% for the last two years, subject to adjustment under certain circumstances, and (b) Branch Banking and Trust Company purchased the 2008B Bonds and the 2008C Bonds for five years at a variable interest rate equal to 68% of one-month LIBOR plus 0.82%, subject to adjustment under certain circumstances; and

WHEREAS, (a) Wells Fargo Municipal Capital Strategies, LLC (the “2008A Bank Holder”) has offered to purchase and hold the 2008A Bonds for three years at a variable interest rate equal to 68% of one-month LIBOR plus 0.50%, subject to adjustment under certain circumstances, if certain changes are made to the Trust Agreement for the 2008A Bonds and (b) Banc of America Public Capital Corp (the “2008B Bank Holder” and “2008C Bank Holder” and together with the 2008A Bank Holder, the “Bank Holders”) has offered to purchase and hold the 2008B Bonds and the 2008C Bonds for seven years at a variable interest rate equal to 68% of one-month LIBOR plus 0.75%, subject to adjustment under certain circumstances, if certain changes are made to the Trust Agreements for the 2008B Bonds and the 2008C Bonds; and

WHEREAS, to enable the Bank Holders to purchase and hold the Bonds, the Bonds are being converted (the “Conversion”) to a new Index Interest Rate Period (as defined in the Trust Agreements) pursuant to the provisions of the Trust Agreements; and

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

WHEREAS, by a resolution adopted on February 18, 2014, the Commission preliminarily approved the Conversion, subject to compliance by the Parent Corporation with the conditions set forth in such resolution, and the Parent Corporation has complied with such conditions to the satisfaction of the Commission; and

WHEREAS, there has been presented at this meeting draft copies of three First Supplemental Trust Agreements, each to be dated the date of delivery thereof (the “Supplements”) between the Commission and the Bond Trustee, that would amend the Trust Agreements to make the changes proposed by the Bank Holders; and

WHEREAS, the Parent Corporation has requested that the Commission approve the Supplements and authorize their execution and delivery; and

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

Section 1. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes and approves the Conversion.

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As set forth in the Original Trust Agreements and the Trust Agreements, the 2008A Bonds and the 2008B Bonds mature on November 1, 2028 and the 2008C Bonds mature on May 1, 2026 and are subject to the Sinking Fund Requirements set forth in Schedule 1 hereto.

Section 2. The forms, terms and provisions of the Supplements 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 Supplements in substantially the forms 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 3. The Chairman, Vice Chairman (or any other member of the Commission designated by the Chairman), Secretary and any Assistant Secretary of the Commission are each 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 Conversion and the reissuance of the Bonds for federal income tax purposes.

Section 4. This Final Resolution shall take effect immediately upon its passage.

3. Adjournment

There being no further business, the meeting was adjourned at 11:19 a.m.

Respectfully submitted,

Christopher B. Taylor, C.P.A.
Assistant Secretary

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Schedule 1

Required Redemption of the Series 2008A Bonds

<u>November</u>	<u>Amount</u>	<u>November</u>	<u>Amount</u>
2009	\$3,250,000	2019	\$4,550,000
2010	1,145,000	2020	4,700,000
2011	3,400,000	2021	4,900,000
2012	3,500,000	2022	5,100,000
2013	3,600,000	2023	5,250,000
2014	3,750,000	2024	5,450,000
2015	3,900,000	2025	1,005,000
2016	4,050,000	2027	1,850,000
2017	4,250,000	2028*	1,950,000
2018	4,400,000		

* Maturity

Required Redemption of the Series 2008B Bonds

<u>November</u>	<u>Amount</u>	<u>November</u>	<u>Amount</u>
2009	\$3,250,000	2019	\$4,550,000
2010	1,145,000	2020	4,700,000
2011	3,400,000	2021	4,900,000
2012	3,500,000	2022	5,100,000
2013	3,600,000	2023	5,250,000
2014	3,750,000	2024	5,450,000
2015	3,900,000	2025	2,495,000
2016	4,050,000	2026	3,600,000
2017	4,250,000	2027	1,850,000
2018	4,400,000	2028*	1,950,000

* Maturity

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Required Redemption of the Series 2008C Bonds

<u>May</u>	<u>Amount</u>	<u>May</u>	<u>Amount</u>
2009	\$1,550,000	2018	\$2,825,000
2010	2,155,000	2019	2,945,000
2011	2,215,000	2020	3,070,000
2012	2,275,000	2021	3,190,000
2013	2,395,000	2022	3,315,000
2014	2,460,000	2023	3,440,000
2015	2,580,000	2024	3,560,000
2016	2,640,000	2025	3,685,000
2017	2,765,000	2026*	3,805,000

* Maturity

Professional Fees Comparison for
Novant Health, Inc.
Series 2008A, 2008B and 2008C Conversions

<u>Professional</u>	<u>Fees Estimated In</u> <u>Preliminary Approval</u> <u>Resolution</u>	<u>Actual Fees</u>
Bank counsel	\$40,000	\$40,000
Bond counsel	30,000	35,000
Corporation counsel	25,000	30,000