

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**

JUNE 25, 2014

2:00 P.M.

Members of the Executive Committee Present:

John A. Fagg, MD, Chairman
George A. Binder, MD
George H. V. Cecil
Albert F. Lockamy, R.Ph.
Mary L. Piepenbring

Members of the Executive Committee Absent:

Joseph D. Crocker, Vice-Chairman
Carl K. Rust, MD

Members of Staff Present:

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

Others Present:

Alice Pinckney Adams, Robinson Bradshaw & Hinson, PA
Allen K. Robertson, Robinson Bradshaw & Hinson, PA
Skip Smith, Iredell Memorial Hospital

1. **Purpose of Meeting**

To grant preliminary approval to a project for Iredell Memorial Hospital and to authorize the execution and delivery of a Second Supplemental Trust Agreement for the 2007 Bonds issued for the benefit of Iredell Memorial Hospital, Incorporated.

2. **Iredell Memorial Hospital, Inc. – Statesville, NC - Christopher B. Taylor & Allen Robertson**

Executive Committee Action: A motion was made by Dr. George Binder, seconded by Ms. Mary Piepenbring and unanimously approved with Mr. George Cecil abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for Iredell Memorial Hospital, Incorporated to provide funds, to be used together with other available funds, to effect a refunding/conversion of the North Carolina Medical Care Commission \$39,465,000 Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital) Series 2007. The Bonds are currently held by Wells Fargo as Bank Bought Bonds with a holding period ending June 30, 2014. The refunding/conversion will extend the holding period to June 30, 2015 and change the interest rate on the Bonds from 70% of one month LIBOR plus .65% to 70% of one month LIBOR plus .75%. The Bonds will be held by Wells Fargo Municipal Capital Strategies, LLC. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$30,000,000
Equity contribution	<u>42,500</u>
Total Sources	\$30,042,500

ESTIMATED USES OF FUNDS

Refund/convert Series 2007 Bonds	\$30,000,000
Corporation counsel	15,000
Bond counsel	20,000
Bank counsel	<u>7,500</u>
Total Uses	\$30,042,500

Tentative approval is given with the understanding that the governing board of Iredell Memorial Hospital 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 or conversion of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance or 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 or conversion of bonds for this project and may approve the issuance or conversion 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 or 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 -

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|----|---|-------------------------------------|-----|--------------------------|----|-------------------------------------|-----|
| 1. | Financially feasible | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |
| 2. | Construction and related costs are reasonable | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> | N/A |

Notes:

1) Information from 2013 Audit

Operating income (loss)	(\$2,310,107)
Increase (decrease) in unrestricted net assets	\$11,194,150
Increase (decrease) in net assets	\$11,194,150
Net cash provided by operating activities	\$6,376,767
Net increase (decrease) in cash and cash Equivalents	\$442,352

2) Ratings: Iredell is not rated

3) Community Benefit per NCHA ANDI Filing for 2013

Community Benefits	\$39,180,480
Bad Debt Costs	<u>7,984,207</u>
Total	\$47,164,687

4) Long Term Service Coverage Ratios

Actual	FYE	2013	<u>4.71</u>
Projected	FYE	2014	<u>7.01</u>

5) Transaction Participants

Borrowers counsel	Womble Carlyle Sandridge & Rice, PLLC
Bond counsel	Robinson Bradshaw & Hinson, PA
Bank purchaser	Wells Fargo
Bond trustee	US Bank
Bank counsel	Chapman and Cutler

3. **Resolution of the North Carolina Medical Care Commission Approving and Authorizing Execution and Delivery of a Second Supplemental Trust Agreement Relating to the North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital), Series 2007 (the “Bonds”) –**
Remarks were made by Chris Taylor and Allen Robertson.

Executive Committee Action: A motion was made by Dr. George Binder, seconded by Ms. Mary Piepenbring and unanimously approved with Mr. George Cecil 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, has issued \$39,465,000 aggregate principal amount of its Variable Rate Demand Hospital Revenue Bonds (Iredell Memorial Hospital), Series 2007 (the “Bonds”), of which \$30,000,000 aggregate principal amount is outstanding, pursuant to the terms of a Trust Agreement dated as of March 1, 2007 (the “Original Trust Agreement”) between the Commission and First-Citizens Bank & Trust Company, succeeded by U.S. Bank National Association; and

WHEREAS, on June 30, 2011 (the “Conversion Date”) the Commission and Wells Fargo Bank, National Association, as bond trustee (the “Bond Trustee”) entered into an Amended and Restated Trust Agreement dated as of June 30, 2011 (as supplemented and amended by the First Supplement described herein, the “Trust Agreement”), as amended by the First Supplemental Trust Agreement dated as of June 28, 2013 (the “First Supplement”) between the Commission and the Bond Trustee, for the purpose of amending and restating the Original Trust Agreement to add an “Index Interest Rate” mode and convert to that mode; and

WHEREAS, the Commission has loaned the proceeds from the sale of the Bonds to Iredell Memorial Hospital, Incorporated (the “Corporation”) pursuant to an Amended and Restated Loan Agreement, dated as of June 30, 2011 (the “Loan Agreement”), between the Commission and the Corporation; and

WHEREAS, the Bonds were purchased on the Conversion Date, and continue to be held, by Wells Fargo Bank, National Association (the “Existing Bank Holder”); and

WHEREAS, on or about June 27, 2014 the Existing Bank Holder will transfer the Bonds to its subsidiary, Wells Fargo Municipal Capital Strategies, LLC (the “New Bank Holder” and, together with the Existing Bank Holder, the “Bank Holders”); and

WHEREAS, from the Conversion Date to June 28, 2013, the Bonds bore interest at an Index Interest Rate (as defined in the Trust Agreement) equal to 70% (the “Applicable Factor” as

defined in the Trust Agreement”) of one-month LIBOR plus 0.80% per annum (the “Applicable Spread” as defined in the Trust Agreement); and

WHEREAS, the First Supplement reduced the Applicable Spread to 0.65% and extended the Initial Index Interest Rate Purchase Date (as defined in the Trust Agreement) from June 30, 2013 to June 30, 2014;

WHEREAS, the Bonds are subject to mandatory tender on the Initial Index Interest Rate Purchase Date, currently specified to be June 30, 2014; and

WHEREAS, the Bank Holders have agreed to extend the Initial Period (as defined in the Trust Agreement) by changing the Initial Index Interest Rate Purchase Date to June 30, 2015 if (1) there is an increase in the Applicable Spread to 0.75%, with corresponding increases in the possible increases in the Applicable Spread based on the Corporation’s Days’ Cash on Hand level, and (2) certain other revisions are made to the Trust Agreement to facilitate loan treatment of the Bonds (collectively, the “Modifications”);

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

WHEREAS, Sections 1102 and 1107 of the Trust Agreement permit the Commission and the Bond Trustee, with the consent of the Bank Holders 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

WHEREAS, by a resolution adopted on the date hereof, the Commission preliminarily approved the Modifications, 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 has been presented at this meeting a draft copy of a Second Supplemental Trust Agreement, to be dated the date of delivery thereof (the “Second Supplement”) between the Commission and the Bond Trustee, that would amend the Trust Agreement to make the Modifications; and

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

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

Section 1. The form, terms and provisions of the Second 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 Second 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.

As set forth in the Trust Agreement, the Bonds mature on October 1, 2037 and are subject to the Sinking Fund Requirements set forth in Schedule 1 hereto.

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 Second Supplement to the New 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 Second Supplement.

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

4. Adjournment

There being no further business, a motion was made to adjourn the meeting by Mr. Al Lockamy, seconded by Ms. Mary Piepenbring and unanimously approved. The meeting adjourned at 2:20 p.m.

Respectfully submitted,

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

Schedule 1

Required Redemption of the Bonds

<u>October 1,</u>	<u>Amount</u>	<u>October 1,</u>	<u>Amount</u>
2008	\$1,435,000	2023	\$1,100,000
2009	1,485,000	2024	1,140,000
2010	1,545,000	2025	1,185,000
2011	1,605,000	2026	1,230,000
2012	1,665,000	2027	1,280,000
2013	1,730,000	2028	1,325,000
2014	785,000	2029	1,380,000
2015	815,000	2030	1,430,000
2016	845,000	2031	1,485,000
2017	880,000	2032	1,545,000
2018	910,000	2033	1,605,000
2019	945,000	2034	1,665,000
2020	980,000	2035	1,730,000
2021	1,020,000	2036	1,795,000
2022	1,060,000	2037*	1,865,000

* Final Maturity

Professional Fees Comparison for
Iredell Memorial Series 2007 Bonds (2014 Reissuance)

<u>Professional</u>	<u>Fees Estimated In Preliminary Approval Resolution</u>	<u>Actual Fees</u>
Bank counsel	\$ 7,500.00	\$7,500.00
Bond counsel	20,000.00	20,000.00
Corporation counsel	15,000.00	15,000.00