

STATE OF NORTH CAROLINA
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 OF THE COMMISSION
CONFERENCE TELEPHONE MEETING ORIGINATING
FROM THE OFFICES OF THE COMMISSION**

July 22, 2016

11:00 a.m.

Members of the Commission Present:

John A. Fagg, MD, Chairman
Joseph D. Crocker, Vice-Chairman
Charles T. Frock
Paul A. McGill, DDS
Carl K. Rust, II, MD

Members of the Commission Absent:

Charles H. Hauser
Robert E. Schaaf, MD

Members of Staff Present:

S. Mark Payne, Assistant Secretary for Audit & MCC Secretary
Christopher B. Taylor, CPA, Assistant Secretary
Crystal Watson-Abbott, Auditor
Alice S. Creech, Executive Assistant

Others Present:

Charles Ayscue, Mission Health
Paul Billow, Womble Carlyle Sandridge & Rice, LLP
Edward Boyles, Wells Fargo
Robert Chandler, Deerfield Episcopal Retirement Community
Adam Garcia, Ziegler
Carol Goodrum, Mission Health
Chris McCann, JP Morgan Chase
Christine McIntyre, Wells Fargo
Jon Mize, Womble Carlyle Sandridge & Rice, LLP
Robert Willis, Duke University Health System

1. **Purpose of Meeting**

To consider a resolution authorizing the sale and issuance of bonds, the proceeds of which will be loaned to Deerfield Episcopal Retirement Community, Incorporated, (2) resolution requesting preliminary approval for a refunding bond issue for Duke University Health System, (3) resolution requesting preliminary approval for an advance refunding bond issue for Mission Health and (4) resolution requesting preliminary approval for a forward settlement refunding bond issue for Mission Health.

2. **Series Resolution Authorizing the Issuance of \$40,060,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Retirement Community), Series 2016 (the "Bonds")**

Remarks were made by: Robert Chandler and Adam Garcia.

Executive Committee Action: Motion was made by Dr. McGill, seconded by Mr. Frock, and unanimously approved with the recusals of Dr. Fagg and Dr. Rust to approve the final sale and issuance of the bonds, which will be loaned to Deerfield Episcopal Retirement Community, Incorporated.

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, Deerfield Episcopal Retirement Community, Incorporated (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 facility for the elderly in Asheville, North Carolina; and

WHEREAS, the Corporation has made application to the Commission for a loan to be made to the Corporation for the purpose of providing funds, together with other available funds, to (a) refund a portion of the Commission's Health Care Facilities First Mortgage Revenue Bonds (Deerfield Episcopal Retirement Community), Series 2008A (the "Refunded Bonds") and (b) pay certain fees and expenses incurred in connection with the sale and issuance of the Bonds; and

WHEREAS, the Commission has determined that the public interest will be best served by the proposed financing and, by resolution adopted by the Commission on May 15, 2015, has approved the issuance of the Bonds, subject to compliance 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 or executed copies, as applicable, of the following documents relating to the issuance of the Bonds:

(a) Amended and Restated Master Trust Indenture, dated as of March 1, 2004 (the "Master Indenture"), between the Corporation and Wachovia Bank, National Association (succeeded by U.S. Bank National Association), as trustee (the "Master Trustee");

(b) Supplemental Indenture for Obligation No. 10, to be dated as of August 1, 2016 (the "Supplemental Indenture No. 10"), between the Corporation and the Master Trustee, supplementing the Master Indenture;

(c) Obligation No. 10, to be dated as of the date of delivery thereof ("Obligation No. 10"), to be issued by the Corporation to the Commission;

(d) Trust Agreement, to be dated as of August 1, 2016 (the "Trust Agreement"), between the Commission and U.S. Bank National Association, as trustee (the "Bond Trustee"), together with the form of the Bonds attached as an exhibit thereto;

(e) Loan Agreement, to be dated as of August 1, 2016 (the "Loan Agreement"), between the Commission and the Corporation;

(f) Deed of Trust, dated as November 13, 1997 (together with all amendments thereto, the "Deed of Trust"), from the Corporation to the deed of trust trustee named therein for the benefit of the Master Trustee;

(g) Escrow Deposit Agreement, to be dated as of August 1, 2016 (the "Escrow Agreement"), among the Commission, the Corporation and U.S. Bank National Association, as escrow agent, relating to the refunding of the Refunded Bonds;

(h) Contract of Purchase, to be dated the date of delivery thereof (the "Contract of Purchase"), between the Local Government Commission of North Carolina (the "LGC") and B.C. Ziegler and Company, as representative of the underwriters of the Bonds (the "Underwriters"), and approved by the Commission and the Corporation; and

(i) Preliminary Official Statement of the Commission, dated July 8, 2016 (the "Preliminary Official Statement"), relating to the offering and sale of the Bonds; and

WHEREAS, the Commission has determined that the Corporation is financially responsible and capable of fulfilling its obligations under the Amended and Restated Master Indenture, Supplemental Indenture No. 10, Obligation No. 10, the Loan Agreement, the Escrow Agreement and the Contract of Purchase; and

WHEREAS, the Commission has determined that the public interest will be served by the proposed refinancing and that adequate provision has been made for the payment of the principal of, redemption premium, if any, and interest on the Bonds;

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

Section 1. Capitalized terms used in this Series Resolution and not defined herein shall have the meanings given such terms in the Trust Agreement, the Loan Agreement, the Deed of Trust and the Master Indenture, as applicable.

Section 2. Pursuant to the authority granted to it by the Act, the Commission hereby authorizes the issuance of the Bonds in the aggregate principal amount of \$40,060,000. The Bonds shall be dated as of the date of delivery thereof and mature in such amounts and at such times and shall bear interest at such rates as are set forth in Exhibit A attached hereto and made a part hereof.

The Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any whole multiple thereof. The Bonds shall be initially issued in book-entry only form as described in the Trust Agreement. Interest on the Bonds shall be payable semiannually on each May 1 and November 1, beginning November 1, 2016, until the Bonds are fully paid. Payments of principal of and interest on the Bonds shall be forwarded by the Bond Trustee to the registered owners of the Bonds in such manner as is set forth in Trust Agreement.

Section 3. The Bonds shall be subject to optional, extraordinary and mandatory sinking fund redemption at the times, upon the terms and conditions and at the prices set forth in the Trust Agreement.

Section 4. The proceeds of the Bonds shall be applied as provided in Section 2.09 of the Trust Agreement.

Section 5. The forms, terms and provisions of the Loan Agreement, the Trust Agreement and the Escrow Agreement are hereby approved in all respects, and 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 are hereby authorized and directed to execute and deliver the Loan Agreement, the Trust Agreement and the Escrow Agreement in substantially the forms presented at 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 Bonds as shall be set forth in the Contract of Purchase; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 6. The form, terms and provisions of Contract of Purchase are hereby approved in all respects and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman for such purpose is hereby authorized and directed to execute and deliver the Contract of Purchase in substantially the form presented at this meeting, together with such changes, modifications, insertions and deletions as such Chairman, the Vice Chairman or such member of the Commission, 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 Bonds; and such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the Commission.

Section 7. The form of the Bonds set forth in the Trust Agreement is hereby approved in all respects and 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 are hereby authorized and directed to execute, by manual or facsimile signature as provided in such form 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 form presented at this meeting, together with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary or 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 8. The forms, terms and provisions of Obligation No. 10 and the Supplemental Indenture No. 10 are hereby approved in substantially the forms presented at this meeting, together with such changes, modifications and deletions as the Chairman or Vice Chairman, with the advice of counsel, may deem necessary and appropriate; and the execution and delivery of the Trust Agreement by the Commission shall be conclusive evidence of the approval of Obligation No. 10 and the Supplemental Indenture No. 10 by the Commission.

Section 9. The Commission hereby approves the action of the LGC in awarding the Bonds to the Underwriters at the price of \$46,060,097.60 (which price represents the aggregate principal amount of the Bonds, plus a net original issue premium of \$6,380,667.60 and less an underwriters' discount of \$380,570.00).

Section 10. Upon execution of the Bonds in the form and manner set forth in the Trust Agreement, the Bonds shall be deposited with the Bond Trustee for authentication, and Bond Trustee is hereby authorized and directed to authenticate the Bonds and, upon compliance with the provisions of Section 2.09 of the Trust Agreement, the Bond Trustee shall deliver the Bonds to the Underwriters against payment therefor.

Section 11. The Commission hereby ratifies the use and distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds. The preparation and distribution of a final Official Statement (the "Official Statement"), in substantially the form of the Preliminary Official Statement, with such changes as are necessary to reflect the final terms of the Bonds, is hereby approved, and the Chairman, the Vice Chairman or any member of the Commission designated in writing by the Chairman for such purpose is hereby authorized to execute and deliver, on behalf of the Commission, the Official Statement in substantially such form, together with such changes, modifications and deletions as the Chairman, the Vice Chairman or such member of the Commission, with the advice of counsel, may deem necessary or appropriate; and such execution and delivery shall be conclusive evidence of the approval thereof by the Commission. The Commission hereby approves and authorizes the distribution and use of copies of each of the above-mentioned documents as presented to the Commission in connection with the offering and sale of the Bonds.

Section 12. U.S. Bank National Association is hereby appointed as the initial Bond Trustee for the Bonds and the Escrow Agent for the Refunded Bonds.

Section 13. The Depository Trust Company ("DTC") is hereby appointed as the initial Securities Depository for the Bonds, with Cede & Co., as nominee of DTC, being the initial Securities Depository Nominee and initial registered owner of the Bonds. The Commission has heretofore executed and delivered to DTC a Blanket Letter of Representations.

Section 14. S. Mark Payne, Secretary, Christopher B. Taylor, C.P.A., Assistant Secretary, Kathy C. Larrison, Auditor, Crystal Watson-Abbott, Auditor, and Steven C. Lewis, Chief of the Construction Section of the Division of Facility Services of 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 and in the Trust Agreement.

Section 15. The Chairman, the Vice Chairman, any member of the Commission designated in writing by the Chairman, the Secretary and any 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 Loan Agreement, the Trust Agreement, the Contract of Purchase, the Escrow Agreement and the Official Statement.

Section 16. The Commission hereby recommends that the Governor of the State of North Carolina approve the issuance of the Bonds pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, and hereby requests such approval.

Section 17. A comparison of the professional fees as set forth in the resolution of the Commission granting preliminary approval of the Bonds with the actual professional fees incurred in connection with the Bonds is set forth as Exhibit B hereto.

Section 18. This Series Resolution shall take effect immediately upon its passage.

EXHIBIT A

MATURITY SCHEDULE

<u>Due November 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$ 95,000	0.75 %
2017	115,000	1.00
2018	115,000	3.00
2019	425,000	3.00
2020	435,000	2.00
2021	440,000	4.00
2022	455,000	4.00
2023	470,000	4.00

2024	490,000	3.00
2025	470,000	2.125
2026	495,000	2.25
2027	485,000	2.375
2031	8,615,000	5.00
2031	4,000,000	3.00
2037	20,455,000	5.00
2037	2,500,000	3.25

\$8,615,000 5.00% Term Bond due November 1, 2031

<u>Due November 1</u>	<u>Sinking Fund Requirement</u>
2028	\$2,015,000
2029	2,100,000
2030	2,200,000
2031*	2,300,000

\$4,000,000 3.00% Term Bond due November 1, 2031

<u>Due November 1</u>	<u>Sinking Fund Requirement</u>
2028	\$ 970,000
2029	990,000
2030	1,010,000
2031*	1,030,000

\$20,455,000 5.00% Term Bond due November 1, 2037

<u>Due November 1</u>	<u>Sinking Fund Requirement</u>
2032	\$3,080,000
2033	3,205,000
2034	3,335,000
2035	3,475,000
2036	3,605,000
2037*	3,755,000

\$2,500,000 3.25% Term Bond due November 1, 2037

<u>Due November 1</u>	<u>Sinking Fund Requirement</u>
2032	\$375,000

2033	390,000
2034	405,000
2035	425,000
2036	445,000
2037*	460,000

*Maturity

EXHIBIT B

PROFESSIONAL FEES

<u>Professional</u>	<u>Preliminary Approval</u>	<u>Actual</u>
Underwriters	\$739,058	\$380,570
Accountant/Auditor	30,000	30,000
Bond Counsel	75,000	85,000
Underwriters' Counsel	50,000	60,000
Corporation Counsel	25,000	29,000
Trustee (including counsel)	12,500	7,675

3. **Duke University Health System, Inc., Durham** Christopher B. Taylor

Remarks were made by: Chris McCann and Robert Willis

Executive Committee Action: Motion was made by Dr. Fagg, seconded by Dr. Rust and unanimously approved to approve the advance refund transaction for Duke University Health System.

Resolution: The Commission grants preliminary approval to a transaction for Duke University Health System, Inc. to provide funds, to be used together with other available funds, to advance refund the \$120,000,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Duke University Health System) Series 2010A outstanding in the amount of \$120,000,000. The proposed refunding is to be achieved by the issuance of approximately 127,000,000 Series 2016D Bonds. It is anticipated that the proposed refunding will generate a net present value savings of approximately

13,100,000. The proposed transaction is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$126,835,000
Original issue premium	<u>13,724,955</u>
Total Sources	\$140,559,955

ESTIMATED USES OF FUNDS

Escrow to refund Series 2010A Bonds	\$139,439,979
Underwriters discount	810,476
Accountants fees	30,000
Corporation counsel	35,000
Bond counsel	60,000
Rating agencies	127,500
Trustee fee and counsel	5,250
Printing	3,000
Local Government Commission	8,750
Underwriters counsel	<u>40,000</u>
Total Uses	\$140,559,955

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 of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of the 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 audit of Duke University Health System, Inc. and Affiliates year ended June 30, 2015.

Operating Income	\$354,927,000
Increases in unrestricted net assets	\$171,630,000
Increase in net assets	\$170,126,000
Net cash provided by operating activities	\$493,887,000
Net increase (decrease) in cash and cash equivalents	\$267,146,000

2) Ratings

Moody's	Aa2
S & P	AA
Fitch	AA

3) Community Benefits per ANDI Form for FYE 2015

	Community Benefits	Bad Debts
Duke University Hospital	\$ 266,569,618	\$14,946,153
Duke Raleigh Hospital	\$75,667,730	\$2,864,654
Duke Regional	\$45,288,926	\$3,647,619

4) Long Term Debt Service Coverage Ratio

Actual FYE	6/30/2015	8.50
Forecasted	6/30/2016	7.59
Forecasted	6/30/2017	7.28
Forecasted	6/30/2018	6.39

5) Transaction Participants

Underwriter	J. P. Morgan Securities, LLC
Bond counsel	Robinson Bradshaw & Hinson, PA
Underwriter counsel	Parker Poe Adams & Bernstein, LLP

Corporation counsel	Sutherland Asbill & Brennan, LLP
Trustee	Bank of New York Mellon Trust Company
Trustee counsel	McGuire Woods, LLP

6) Board diversity

Of the 20 Board members, 5 are female, and the other 15 are male. 3 of the 20 are African-Americans, and the remaining 17 are Caucasians.

7) Compliance update

Crystal Watson-Abbott

Duke University Health System had one covenant violation for FYE 2013. Upon completion of the fiscal year end 2013 compliance examination, it was noted that during the annual post issuance compliance policies and procedures review conducted by DUHS staff, equipment in the amount of \$105,836 funded with the 2006 Series Bonds was improperly disposed of during 2007 and 2010, thereby violating the 2006 Tax Certificate & Agreement. To remedy the covenant violation, DUHS entered into an agreement with the IRS by using the IRS VCAP Program whereby the amount improperly disposed of was refunded and therefore, bringing DUHS back into compliance.

The examination of the required document filings for FYE 2014, 2015 and 2016 found no instances of failure to file as required under the various bond documents. It should be noted the information reviewed relates only to the routine annual and quarterly bond document filings. A more extensive review of the bond documents will be completed during the annual compliance examinations and may result in findings not discovered during this review.

4. Mission Health System, Inc., Asheville

Christopher B. Taylor

Remarks were made by: Charles Ayscue, Edward Boyles and Robert Hobson

Executive Committee Action: Motion was made by Dr. McGill, seconded by Mr. Frock and unanimously approved to grant preliminary approval to an advance refunding transaction for Mission Health.

Resolution: The Commission grants preliminary approval to a transaction for Mission Health System, Inc., to provide funds to be used together, with other available funds, to advance refund (1) part of the North Carolina Medical Care Commission \$260,430,000 Health System Revenue Bonds (Mission Health Combined Group) Series 2007 in the anticipated amount of \$9,645,0000 and (2) the North Carolina Medical Care Commission \$65,000,000 Health System Revenue Bonds (Mission Health Combined Group) Series 2010, outstanding in

the amount of \$48,805,000. The proposed Series 2016 Bond Issue will be a publicly offered Issue and is anticipated to generate savings of \$1, 257,444 for the refunding of the Series 2007 Bonds and \$3,523,407 for the refunding of the Series 2010 Bonds for a combined 8.18% of the refunded bonds and a net present value savings of \$4,780,851. The transaction is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$53,730,000
Bond Premium	11,763,352
Corporation equity contribution	<u>781,648</u>
Total Sources	\$66,275,000

ESTIMATED USES OF FUNDS

Escrow to advance refund Series 2007 Bonds & 2010 Bonds	\$65,717,457
Underwriters discount	268,650
Bond counsel	60,000
Underwriters counsel	48,000
Corporation counsel	8,500
Accountant's fee	50,000
Rating agencies	94,500
Trustee fee and counsel	5,750
Printing costs	3,250
Local Government Commission fee	8,750
Verification agent	1,200
Escrow agent	250
Miscellaneous	<u>8,693</u>
Total Use	\$66,275,000

Tentative approval is given with the understanding that the governing board of Mission 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. The borrower will furnish, prior to the sale of or reissuance of the bonds or notes or execution of the leases, evidence that it is in compliance with the covenants of all of its outstanding Medical Care Commission debt.
10. 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 Mission Health System, Inc. and Affiliates for FYE September 30, 2015

Operating Income	\$44,753,000
Change in unrestricted net assets	\$7,721,000
Change in net assets	\$3,238,000
Net Cash provided by operating activities	\$173,944,000
Net increase in cash and cash equivalents	\$31,214,000
Cash and cash equivalents and current investments	\$110,782,000
Long Term Debt (bonds and notes)	\$580,645,000

(2) Ratings

Fitch	<u>AA-</u>
Moody's	<u>Aa3</u>
Standard & Poor's	<u>AA-</u>

(3) Community Benefits per NCHA ANDI Report for FYE 2015 for Mission Hospital

Community Benefits	\$133,299,407
Estimated Cost of Treating Bad Debt Patients	<u>\$24,616,518</u>
Total	\$157,915,925

(4) Long Term Debt Service Coverage Ratios

Actual FYE 2015	5.4
Forecasted FYE 2016	4.7
Forecasted FYE 2017	4.7
Forecasted FYE 2018	4.8

(5) Transaction Participants

Underwriter	Wells Fargo Securities
Bond counsel	Womble Carlyle Sandridge & Rice, LLP
Underwriter's counsel	McGuire Woods, LLP
Trustee	Bank of New York Mellon Trust Company, NA

(6) Board Diversity

Male	13
Female	5
Total	18
Caucasian	16
African American	2
Other	0
Total	18

(7) Compliance Update: Routine/Typical Document Filing as of July 12, 2016 - Kathy Larrison

The last report of bond compliance presented for Mission Health System, Inc. was for the fiscal year ended September 30, 2014 during the May 2016 Medical Care Commission meeting.

As of July 12, 2016; (1) the routine/typical documents for Mission Health's fiscal year ended September 30, 2015, and fiscal year to date 2016, have been filed timely to the Commission, (2) Mission Health is in compliance with the Days Cash on Hand and Long-Term Debt Service Coverage Ratio requirements, and (3) Mission Health has timely filed the required Secondary Market Disclosure documents to EMMA.

An in depth bond compliance examination of fiscal year ended 2015, and the upcoming end of fiscal year 2016, will be completed at a later date. At that time, other findings may be identified that are not routine and typical.

5. Mission Health System, Inc., Asheville Christopher B. Taylor

Remarks were made by John Fagg, MD, Joe Crocker, Charles Ayscue, Christine McIntyre, Paul Billow and Robert Hobson.

Executive Committee Action: Motion was made by Dr. McGill, seconded by Mr. Frock and unanimously approved to grant preliminary approval to an advance refunding of the proposed Forward Delivery Bond Issue for Series 2017.

Resolution: The Commission grants preliminary approval to a transaction for Mission Health System, Inc., to provide funds to be used together, with other available funds, to refund the refundable portion of the balance of the North Carolina Medical Care Commission \$260,430,000 Health System Revenue Bonds (Mission Health Combined Group) Series 2007 not refunded by the proposed advance refunding Series 2016 Bond Issue. The proposed refunding is to be accomplished via the utilization of a forward refunding Series 2017 Bond Issue. Under the proposed forward refunding bond issue the proceeds will be delivered by the Underwriter in July 2017. The interest rate on the bonds is to be locked in on August 18, 2016. The proposed forward refunding is expected to achieve \$12.7 million in present value savings for a 10.9% of the refunded bonds. The transaction is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$103,245,000
Bond Premium	15,448,009
Corporation equity contribution	<u>1,846,991</u>
Total Sources	\$120,540,000

ESTIMATED USES OF FUNDS

Escrow to refund Series 2007 Bonds	\$119,621,981
Underwriters discount	516,225
Accountants fees	50,000
Corporation counsel	10,000
Bond counsel	75,000
Underwriters counsel	60,000
Rating agencies	181,500
Trustee fees and counsel	5,750
Escrow agent	250
Verification agent	1,200
Printing	3,250
Local Government Commission fee	8,750
Miscellaneous	<u>6,094</u>
Total Use	\$120,540,000

Tentative approval is given with the understanding that the governing board of Mission 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. The borrower will furnish, prior to the sale of or reissuance of the bonds or notes or execution of the leases, evidence that it is in compliance with the covenants of all of its outstanding Medical Care Commission debt.
10. 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 Mission Health System, Inc. and Affiliates for FYE September 30, 2015

Operating Income	\$44,753,000
Change in unrestricted net assets	\$7,721,000
Change in net assets	\$3,238,000
Net Cash provided by operating activities	\$173,944,000
Net increase in cash and cash equivalents	\$31,214,000
Cash and cash equivalents and current investments	\$110,782,000
Long Term Debt (bonds and notes)	\$580,645,000

(2) Ratings

Fitch	<u>AA-</u>
Moody's	<u>Aa3</u>
Standard & Poor's	<u>AA-</u>

(3) Community Benefits per NCHA ANDI Report for FYE 2015 for Mission Hospital

Community Benefits	\$133,299,407
Estimated Cost of Treating Bad Debt Patients	<u>\$24,616,518</u>
Total	<u>\$157,915,925</u>

(4) Long Term Debt Service Coverage Ratios

Actual FYE 2015	5.4
Forecasted FYE 2016	4.7
Forecasted FYE 2017	4.7
Forecasted FYE 2018	4.8

(5) Transaction Participants

Underwriter	Wells Fargo Securities
Bond counsel	Womble Carlyle Sandridge & Rice, LLP
Underwriter's counsel	McGuire Woods, LLP
Trustee	Bank of New York Mellon Trust Company, NA

(6) Board Diversity

Male	13
Female	5
Total	18
Caucasian	16
African American	2
Other	0
Total	18

(7) **Compliance Update: Routine/Typical Document Filing as of July 12, 2016 - Kathy Larrison**

The last report of bond compliance presented for Mission Health System, Inc. was for the fiscal year ended September 30, 2014 during the May 2016 Medical Care Commission meeting.

As of July 12, 2016; (1) the routine/typical documents for Mission Health's fiscal year ended September 30, 2015, and fiscal year to date 2016, have been filed timely to the Commission, (2) Mission Health is in compliance with the Days Cash on Hand and Long-Term Debt Service Coverage Ratio requirements, and (3) Mission Health has timely filed the required Secondary Market Disclosure documents to EMMA.

An in depth bond compliance examination of fiscal year ended 2015, and the upcoming end of fiscal year 2016, will be completed at a later date. At that time, other findings may be identified that are not routine and typical.

6. **Adjournment**

There being no further business, the meeting was adjourned at 11:55 a.m.

Respectfully submitted,


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

Date: July 22, 2016