Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on June 23, 2011 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following **Authority Members** *were in attendance:*
Frank Cipriani, Designee of the Commissioner of Banking and Insurance; Robert Bollaro, Designee of the Commissioner of Human Services; John Calabria Designee of the Commissioner of Health and Senior Services; Ulysses Lee, Public Member; and Suzette Rodriguez, Public Member (via telephone).

The following **Authority staff members** *were in attendance:*
Mark Hopkins, Lou George, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Brooke Liebowitz, Jessica Waite-Lucas, Edwin Fuentes, Marji McAvoy, Archie King, and Bill McLaughlin.

The following **representatives from the State and/or the public** *were in attendance:*
Clifford Rones, Deputy Attorney General; Susan Kase and Evan Kirsch, Governor's Authorities Unit; Maryann Kicenuik,, Windels, Marx, Lane & Mittendorf Ryan Feeney, NJ Office of Public Finance; Edward Kim and Michael Marcus, Goldman Sachs; Cheryl Cohen, Pantheon Capital; Kay Fern, Evergreen Financial; Tom Scott, St. Barnabas Health Care System; Chris McCann, JP Morgan; Garrick Stoldt, St. Peter's University Hospital; and Kristin DiShaw, JNESO.

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:00 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 27, 2010 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post,* enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

Mr. Hopkins then stated that in the absence of the Authority's Chair, a Chair pro tem was needed to lead the meeting. Mr. Cipriani nominated Mr. Lee to serve as Chair pro tem; Mr. Calabria seconded. The vote was unanimous.

1. APPROVAL OF MINUTES
a. April 28, 2011 Authority Meeting

Minutes from the Authority's April 28, 2011 meeting were presented for approval. Mr. Lee noted that since several Members abstained from voting on the April minutes at last month's May meeting, the April minutes did not pass. Mr. Lee then offered a motion to approve the April minutes; Mr. Calabria seconded. The vote was unanimous and the motion carried.

b. May 23, 2011 Authority Meeting

Minutes from the Authority's May 23, 2011 meeting were presented for approval. Mr. Calabria offered a motion to approve the minutes; Mr. Bollaro seconded. Mr. Lee, Mr. Bollaro, Mr. Calabria, Ms. Rodriguez and Mr. Cipriani voted yes; Mr. Lee abstained.

2. CONTINGENT BOND SALE
St. Peter's University Hospital

Ms. Walton introduced Garrick Stoldt, Chief Financial Officer of Saint Peter's Healthcare System, Inc. Ms. Walton reminded the Members that in October of 2010, they approved a Contingent Sale of Bonds on behalf of Saint Peter's University Hospital, Inc. (the "Hospital") and Margaret McLaughlin McCarrick Care Center, Inc. (the "Nursing Home"), (together, the "Institutions" and current members of the Obligated Group) to provide funds to currently refund existing debt. However, subsequent to the Contingent Sale approval, the interest rate market moved away from the transaction. After consultation with their Senior Underwriter, Goldman Sachs, the Hospital determined that they would not be able to achieve the savings level authorized by their Board and decided to table the transaction until such time as the market improved.

Ms. Walton reported that since that the market environment had improved, the Hospital would like to move ahead with the bond financing. She reminded Members that the Authority Resolution adopted in October of last year, which approved a contingent sale of Bonds on behalf of the Hospital, expired on March 23, 2011. Ms. Walton asked Members to once again consider a contingent sale of bonds on behalf of the Hospital and the Nursing Home in an aggregate principal amount not to exceed $105 million. The proceeds of the Series 2011 bonds, together with other funds, will be used to finance the costs of (i) currently refunding all or a portion of the Authority's outstanding Series 2000A and B Bonds and possibly refunding the remaining portion of Series F Bonds; (ii) financing or reimbursing capital expenditures related to the renovation and equipping of portions of the Hospital's facilities; (iii) funding a debt service reserve, (iv) paying capitalized interest on a portion of the bonds, if any, and (iv) paying the related costs of issuance.

Ms. Walton stated that the Series 2011 Bonds will be secured by a promissory note issued by the Obligated Group under an existing Master Trust Indenture and will be secured by a gross receipts pledge of the Obligated Group, a mortgage on certain property of the Hospital and the Nursing Home and a debt service reserve fund. The Bonds will be structured as a fixed rate public offering. They will be uninsured and issued on the credit rating of the Hospital which is currently rated (Baa3) by Moody's Investor Services and (BBB-) from Standard & Poors.

Ms. Walton indicated that based on the most recent numbers run prepared by Goldman Sachs, the Senior Underwriter, in today's interest rate environment, the current refunding of the Series 2000A Bonds yields net present value savings of approximately $1,421,205 or 3.86% savings of the refunded bonds. The current refunding of the Series F Bonds, however, is more sensitive to changes in the market and will continue to be monitored for savings up until pricing of the Bonds at which time the Borrower will decide whether to proceed with the refunding of the Series F Bonds. The Series 2000B Bonds which carry a variable rate of interest are being refunded to reduce interest rate and bank risk. In addition, the Hospital plans to defease the Series 2000C Taxable Bonds with cash.

Ms. Walton stated that in accordance with Authority policy, management has submitted financial projections covering the years 2010 through 2012. The projections were included in the mailing material and have been reviewed by staff subsequent to the mailing. Ms. Walton reminded Members that co-managers were appointed at the October meeting and are BoA Merrill Lynch, M&T Securities, and Sterne Agee Leach.

SERIES RESOLUTION

Maryann Kicenuik, Esq., of Windels Marx Lane & Mittendorf stated that the Series Resolution authorizes the issuance of the Series 2011 Bonds in an aggregate principal amount, exclusive of original issue discount, not in excess of $105,000,000. The Series 2011 Bonds shall bear interest at a true interest cost not to exceed 7.00% and will have a final maturity no later than July 1, 2041. The Bonds will be secured by certain funds and accounts established pursuant to the Series Resolution and loan repayments to be made by the Institutions pursuant to the loan agreement. In addition, the Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract for the Series 2010 Bonds prior to close of business on September 21, 2011. The Bond Resolution also approves the form of the Bonds, Preliminary Official Statement, Official Statement, Loan Agreement, and Letter of Instructions.

In addition, the Bond Resolution confirms the appointment of Wells Fargo Bank, National Association as Trustee, Bond Registrar and Paying Agent for the Holders of the Series 2011 Bonds.

Mr. Lee asked the Members' pleasure with respect to the adoption of the Series Resolution. Mr. Calabria moved that the document be approved; Mr. Cipriani seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-01

> **NOW, THEREFORE, BE IT RESOLVED**, That the Authority hereby approves the Series Resolution entitled, "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS, SAINT PETER'S UNIVERSITY HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2011."

(attached)

3. **INFORMATION UPDATE**
   <u>St. Barnabas Health Care System</u>

Ms. Walton reminded Members that in March, Mark Hopkins notified the Board that Saint Barnabas Health Care System had signed a Memorandum of Understanding with the Authority to undertake a tax exempt lease financing and reported to that today she would be providing Members with an update on this transaction.

She noted that this program is a new form of financing being structured through the Authority. The program is intended to provide a lower cost and a timelier financing vehicle for our borrowers as compared to taxable loans and leasing programs.

Under the leasing program, a Hospital (in this case Saint Barnabas Health Care Corporation and its affiliates) would enter into a purchase contract with a vendor to acquire certain pieces of equipment. In order to finance the cost of the equipment, the Hospital will enter into an arrangement to lease the equipment from a Lessor (for example, GE Capital). The form of this leasing arrangement, in order to procure a lower rate of leasing, will be in the form of the Master Lease whereby the Lessor (GE Capital) will lease the equipment to the Authority (the "Lessee") and the Authority will sublease the equipment to the Hospital pursuant to separate schedules appended to the Master Lease. The purpose for the Authority as the Lessee is to assure that the interest portion of the lease financing will immediately vest in the Hospital, subject to the rights of the Lessor in having a valid security interest in the equipment until final payment is made by the Hospital under the Master Lease. The Authority's obligation under the Master Lease is solely to pass through the lease payments received from the Hospital to the Lessor. The Hospital has all of the obligations regarding maintenance of the equipment, lease payments, actions upon default, etc. as are normally imposed upon a lessee of equipment. The Authority has no such obligations and is to be fully indemnified by the Sublessees.

Ms. Walton reported that over the past few months, Saint Barnabas has met with three firms interested in the leasing program, noting that these firms are Siemens, GE Capital and Phillips Capital. All three firms have provided funding commitments and term sheets. Saint Barnabas is currently negotiating with all three firms to achieve the best combination of interest rates and covenant requirements. Upon completion of the negotiations, the Working Group will finalize leasing documents. Authority staff anticipates coming back to the Board next month seeking authorization to enter into a Master Leasing Agreement with Saint Barnabas.

4. NEGOTIATED SALE REQUESTS

a. St. Barnabas Health Care System

Mr. Hopkins reported to Members that Saint Barnabas Health Care System ("St. Barnabas") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt public offering of approximately $404 million. A significant portion of this project will be devoted to refundings and refinancing and as a result this financing is interest rate sensitive. More specifically, proceeds will be used to: (i) refinance a draw on a line of credit used to purchase a portion of St. Barnabas' Series 2001B auction rate bonds, (ii) fund a tender offer for its remaining Series 2001B bonds (approximately $9 million), (iii) refund portions of St. Barnabas' callable fixed rate debt, (iv) fund a tender offer for a portion of the Series 1997A, 1998B & 2006 capital appreciation bonds, (v) fund $40 million of capital improvements at the Clara Maass Medical Center for renovations to the Intensive Care Unit, (vi) fund a Debt Service Reserve fund, and (vii) pay the related costs of issuance.

Saint Barnabas Health Care System is a New Jersey not for profit organization that operates acute care hospitals, a behavioral health center, ambulatory care and surgery centers, breast centers, geriatric centers, two children's hospitals and comprehensive home care and hospice programs. Its major facilities include six (6) acute care hospitals consisting of: Clara Maass in Belleville, Community in Toms River, Kimball in Lakewood, Monmouth in Long Branch, Newark Beth Israel in Newark, and Saint Barnabas in Livingston. Excluding nursing bassinets, the system has 3,142 licensed beds, generates revenues of over $2.4 billion annually and has approximately 18,000 employees.

Mr. Hopkins noted that Authority staff is also working with Saint Barnabas on a Master Leasing Program. The most recent issuance by the Authority on behalf of Saint Barnabas occurred in 2006, when the Authority issued Series A, current interest bonds, in the amount of $72,120,000 and Series B, capital appreciation bonds, in the amount of $124,999,653. As of December 31, 2010 these were outstanding in the amount of $63,070,000 and $153,067,000 respectively. The Authority has also issued bonds on behalf of St. Barnabas or its affiliates in 2001, 1998, 1997 and 1996, all of which remain outstanding.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, St. Barnabas generated an excess of revenues over expenses of approximately $106.6 million for 2010 and $47.1 million in 2009

St. Barnabas has asked that the Authority permit the use of a negotiated sale based on: (i) Sale of a complex or poor credit; (ii) Sale of a complex financing structure including transactions that involve the simultaneous sale of more than one series with each series structured differently, (iii) Volatile market conditions, (iv) Large issue size; and (iv) a Variable rate structure. These reasons are considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale. Mr. Hopkins therefore recommended the consideration of the resolution approving the use of a negotiated public offering and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

He noted that St. Barnabas is performing a competitive process to name its underwriter, and is also in the process of conducting an RFP with respect to recommending a bond counsel to the Attorney General's Office for appointment.

Mr. Lee asked the Members' pleasure with respect to the adoption of the resolution supporting the issuance of revenue bonds by negotiated transaction pursuant to Executive Order #26 on behalf of Saint Barnabas Health Care System. Mr. Lee offered a motion to adopt the resolution; Mr. Bollaro seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. LL-02

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the attached form of the "RESOLUTION TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER #26."

(attached)

b. <u>Warren Hospital</u>

Mr. Hopkins reported that Warren Hospital ("Warren") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to (i) refund approximately $43,000,000 million of the bonds the Authority issued on behalf of Warren in 2008; (ii) potentially fund a debt service reserve fund; and (iii) pay costs of issuance and other costs.

This refunding is related to the pending acquisition of Warren by St. Luke's Hospital of Bethlehem, Pennsylvania via a sole member substitution of Warren's parent, Warren Healthcare, Inc., by St. Luke's. Warren is expected to be renamed St. Luke's Warren Hospital, Inc. after the acquisition.

In 2008, the Authority issued $45,840,000 in bonds on behalf of Warren Hospital, of which approximately $44,255,000 remained outstanding as of March 31, 2011. The Hospital plans to fully refund the 2008 obligations with the proceeds of the proposed financing. The Authority also issued bonds for Warren Hospital in 1981, 1982 and 1985, 1995 and 2002, all of which have since been refunded or defeased.

Warren Hospital is a 214 bed, not-for-profit general acute care hospital located in Phillipsburg, New Jersey. According to its consolidated audited financial statements, Warren Hospital and subsidiaries generated an excess of expenses over revenues of $16.9 million in 2008 and $8.3 million in 2009. Unaudited financial information for 2010 shows an excess of expenses over revenues of $3.2 million. Unaudited interim financial information through April 2011 shows an excess of expenses over revenues of $3 million. These losses are largely due to costs resulting from a real estate partnership and support of physician practices. The hospital itself has operated in the black throughout most of these periods.

Warren Hospital has asked that the Authority permit the use of a negotiated private placement based on volatile market conditions and the fact that it is a complex and poor credit. Each of these reasons is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated private placement, therefore, Mr. Hopkins is recommending the Member's consideration of the resolution approving the use of a negotiated private placement and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins further noted that Warren Hospital has determined, after negotiations, to privately place its refunding bonds with its current bondholder, Allstate Investments LLC and that the Hospital has begun the RFP process to recommend a bond counsel for appointment by the Attorney General's Office.

Mr. Lee asked the Members' pleasure with respect to the adoption of the resolution supporting the issuance of revenue bonds by negotiated transaction pursuant to Executive Order #26 on behalf of Warren Hospital. Mr. Lee offered a motion to adopt the resolution; Mr. Calabria seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. KK-03

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the attached form of the "RESOLUTION TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURUANT TO EXECUTIVE ORDER #26."

(attached)

5. CORPORATE BANKING RESOLUTIONS & SIGNATURE CARDS

Mr. Lee reminded the Members that every year, after the May election of Authority Officers, staff must provide the Authority's bank with new corporate banking resolutions and signature cards. Mr. Cipriani offered a motion to adopt these updated resolutions; Mr. Calabria seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-04

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts corporate banking resolutions as a result of the May 2011 election of officers.

6. ARCHIVING CONTRACT

Mr. Michael Ittleson reported to Members that the Authority's original three-year contract with Foveonics Imaging Technologies for archiving loose documents, construction requisitions, and trustee bank statements will expire on September 7, 2011. The contract had been awarded after a Request for Proposals was conducted in the summer of 2008.

The original contract allows for two additional one-year extensions at the option of the Authority at the original terms and conditions. He reported that staff has been pleased with the quality and timeliness of the work of Foveonics and asked the members consideration in appointing Foveonics to the first of the two additional one-year extensions commencing September 8, 2011 through September 7, 2012.

Mr. Lee asked the Members' pleasure with respect to the adoption of a resolution awarding a one-year extension to Foveonics Imaging Technologies for the archiving of loose document files. Mr. Cipriani offered a motion to adopt the resolution; Mr. Calabria seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. LL-05

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves a resolution awarding a one-year extension to Foveonics Imaging Technologies for the archiving of loose document files.

7. APPROVAL OF EXPENSES

Mr. Lee referenced a summary of Authority expenses and invoices. Mr. Cipriani offered a motion to approve the bills and to authorize their payment; Ms. Rodriguez seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. LL-06

> **WHEREAS,** the Authority has reviewed memoranda dated June 16, 2011, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of $544,468.86, $87,677.39 and $24,176.31 respectively, and has found such expenses to be appropriate;
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> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

8. STAFF REPORTS

Mr. Lee thanked staff for the Project Development Summary, Cash Flow Statement, and Legislative Advisory reports.

Mr. Hopkins then presented his Executive Director's report noting the following items to Members:

1. On Tuesday, June 21st, Commissioner Mary O'Dowd gave birth to a baby boy, Patrick Edward O'Dowd weighing in at 7lbs 7oz. He congratulated Ms. O'Dowd and her husband Kevin on the birth of their first child.

2. Dr. Munr Kazmir's nomination to the Authority was reported by the Judiciary Committee to the full Senate and awaits their consent, which could be on June 27th, the next time they are scheduled to meet. Dr. Kazmir will be filling the currently vacant Public Member slot.

3. Governor Christie has nominated Elisa Charters, of Cedar Grove, to be a Public Member of the Authority, to fill the Public Member slot currently held by Gus Escher, whose term expired April 30, 2010. Ms. Charters is a Certified Commercial Investment Member, a designation reflecting an expertise in commercial and investment real estate. She is currently a partner at Toussa International, LLC, an international wholesale distribution and sourcing company of children's apparel imported from South America. Prior to joining Toussa in 2009, Ms. Charters held several senior management positions at the Port Authority of New

York and New Jersey dating back to the early 1990s. She has a bachelors and masters from the New Jersey Institute of Technology, as well as advanced degrees and certifications from Columbia University and New York University. She is active in a number of not-for-profit organizations including the Junior League of Montclair/Newark and the Latino Leadership Alliance of New Jersey. Her confirmation hearing date has not yet been set.

4. Hospital News

    a. Clara Maass Medical Center received the HealthGrades' Emergency Medicine Excellence Award for 2011, placing the hospital in the top 5 percent of emergency departments nationwide.

    b. On June 1st, Hackensack University Medical Center formally applied for state permission to reopen Pascack Valley Hospital in Westwood as a 128-bed full-service community hospital. If approved, the for-profit hospital would open late next year.

    c. On June 17th, St. Mary's successfully completed the sale of the former St. Mary's Hospital at 211 Pennington Avenue in Passaic.

5. Authority News

    a. On June 21st, Tammy Romsdahl, the Authority's Administrative Assistant for Project Management and Research, Investor Relations and Compliance, gave birth to a baby boy, Eivand Romsdahl. He was 6 pounds 14 ounces at birth and measured 20 inches long. Mr. Hopkins congratulated Tammy and her husband Ray.

    b. Brooke Liebowitz, the Authority's interim Communications Specialist will be leaving the Authority tomorrow after over a year, as she prepares for her new job in communications at New Jersey Association of Osteopathic Physicians.

    c. Wanda Lewis, the Authority's Senior Account Administrator, will be retiring from the Authority at the end of this month after over 25 years with the Authority. Authority staff wishes Wanda much happiness in her retirement. He reported that Wanda and her husband, who also recently retired, have a beautiful motor home in which they plan to travel around the country.

This concluded the Executive Director's report.

As there was no further business to be addressed, following a motion by Mr. Lee and a second by Mr. Bollaro, the Members voted unanimously to adjourn the meeting at 10:30 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD JUNE 23, 2011.

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Stephen Fillebrown, Assistant Secretary